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ABSTRACT

This instructor's guide, which is designed to assist teachers in providing instruction and technical support to small business owners and managers, contains 17 competency-based units of instruction on the following areas that both small business instructors and small business owners have deemed critical to the success of any business: entrepreneurship; goal setting and planning for personal and business success; business resources; business plan; recruiting, interviewing, and hiring; training, motivation, and supervision; marketing and market research; merchandising; advertising for small business; selling; customer relations; recordkeeping and tax compliance; understanding and using financial statements; forecasting profits; cash flow management; legal aspects and risk management; and inventory management. Each unit contains some or all of the following: objective sheets, suggested activities, handouts, information sheets outlining "essential" information, supplementary information/activity sheets, transparency masters, activity sheets, and activity sheet answers. All units also contain guidelines for adopting the materials for independent study and lists of skills that must be demonstrated, equipment/supplies needed, supplementary materials to order, and resource people to contact. (MN)

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Small Business Management

ED 380 633

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CIMC

Teacher Edition

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Oklahoma Department of
Vocational and Technical Education
1500 West Seventh Avenue
Stillwater, OK 74074-4364

DE 1200

Small Business Management

Instructor Manual

Developed by the
Curriculum and Instructional Materials Center
for the Division of Marketing Education
Oklahoma Department of Vocational and Technical Education

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FOREWORD

This curriculum is designed to be used by instructors who provide instruction and technical support to small business owners and managers. The curriculum contains 17 units of instruction and each unit addresses an area that is critical to the success of any business. The content of each unit has been validated by both small business instructors and business owners.

The curriculum provides small business management instructors with a core of instructional materials including narrative information sheets, client handouts, activity sheets and transparency masters.

Our ultimate goal is to provide quality instructional materials that will not only assist instructors to help small business owners improve their business management skills, but also to increase their profits.

Dr. Roy Peters, Jr., State Director
Oklahoma Department of
Vocational and Technical Education

Gene Warner, State Supervisor
Marketing Education
Oklahoma Department of Vocational and
Technical Education

PREFACE

There is no doubt that our nation's standard of living and quality of life depends, in a large degree, on a strong and productive small business component. Small businesses provide many services to the general consumer in a competent and efficient manner. The free enterprise system in America first evolved from small business.

Without new generations of talented and hard-working young people, this vital component of our economy would be unable to sustain the quality of life Americans have come to expect.

Small Business Management still provides opportunities for all Americans to grow, prosper, and realize the American dream.

Dr. Gayle Kearns
Curriculum Development Specialist
Curriculum and Instructional Materials Center
Oklahoma Department of Vocational and
Technical Education

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Oklahoma Department of Vocational and Technical Education Marketing Education staff who provided leadership and direction on this project also deserve special recognition.

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Only with the close cooperation of the Curriculum and Instructional Materials Center staff was this curriculum developed. Sincere thanks are shared with Dr. Brenda Stacy, CIMC Coordinator, Dr. Lynna Ashburn, Development Coordinator, and Ms. Sheila Stone, former Development Coordinator.

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Small Business Management

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USE OF THIS PUBLICATION

INSTRUCTIONAL UNITS

Small Business Management contains 17 units. Each instructional unit includes basic components that form a unit of instruction: performance objectives, suggested activities, information sheets, activity sheets and activity sheet answers. Handouts, supplements, and transparency masters are optional components which may be included in some or all of the units. Transparency masters and handouts are included in the instructor edition only and may be duplicated for classroom use.

The unit components focus on measurable and observable learning outcomes. Instructors are encouraged to supplement, personalize, localize, and motivate with these materials in order to develop a complete teaching/learning process.

Units of instruction are designed for use in more than one lesson or class period of instruction. By carefully studying each unit of instruction, the instructor will be able to plan presentations and demonstrations to meet the needs of the clients as well as determine the following:

- How to use the materials for independent study
- Amount of material to cover in a single class period
- Skills that must be demonstrated
- Supplies and equipment needed
- Amount of class time required for demonstrations
- Amount of class time required for client practice
- Supplementary materials to order, such as pamphlets, videos, or software
- Resource people to contact

Objective Sheets (White Pages)

Each unit of instruction is based on the knowledge and skills needed for successful employment as a small business owner. What the client must know and be able to do has been translated into performance objectives which are stated in two forms. ***Unit objectives*** state the subject matter to be covered in a unit of instruction, what the client should be able to do and what standard will be used to determine whether the client has achieved competency. ***Specific objectives*** outline the teaching sequence and state the performance necessary to meet the unit objective.

The objectives can also help determine teaching strategies and instructional methods. Instructors will need to decide how each objective can best be taught (individualized or class instruction) to their clients prior to beginning the unit. Instructors should feel free to modify, delete, or add objectives in order to meet the needs of the clients and the community. If objectives are added, the instructor should remember to supply the needed information and activity sheets.

Suggested Activities (Pink Pages) — Instructor's Edition Only

This component assists the instructor during the preparation stage of the teaching/learning process by providing suggestions for delivery, enrichment, and application during the instructional process. Teaching suggestions are included for each objective. The instructor should read the suggested activities before teaching the units to allow time to obtain supplemental materials, prepare audiovisual materials, and contact outside resources. Duties of the instructor will vary according to the particular unit.

Included in this component are suggested resources of books, audiovisual materials, and software which may be used to teach the unit. References used in the development of each unit are also provided. Instructors can use suggested resources and unit references to supplement their knowledge of the subject or to help clients with particular interests or occupational objectives in the subject area.

Handouts (White Pages) — Instructor's Edition Only

Handouts are additional teaching aids that support portions of the information sheet by providing "nice-to-know" information. They may include activities such as games, puzzles or supplementary information on subjects that are considered to be controversial. The instructor may decide whether to duplicate and use handouts in teaching the unit.

Information Sheets (Green Pages)

The information sheets provide "must know" content that is essential for meeting the cognitive objectives. The information sheets serve as an excellent guide for presenting background knowledge necessary to develop the skills specified in the unit objective.

Clients should read the information sheets before the information is discussed in class. Space is provided in margins for clients and instructors to add notes that supplement, localize, personalize, or provide motivation for each unit. Program coordinators, directors, and/or instructors are encouraged to select and acquire textbooks for clients in order to supplement and expand the material covered in the information sheets.

The information sheets may include notes, cautions, or warnings. These should be discussed carefully and thoroughly. ***Notes*** are short verbal additions to the information that provide nice-to-know and decision-making information. A note may tell the client what to look for or consider at a given step or may explain when a step may not be applicable. Notes offer guidance that may help the client understand the process and accomplish it more efficiently.

Supplements (Green Pages)

Supplements include material that provides additional information for understanding the topic but may not have direct application to specific objectives. Instructions that might be used for solving problems, tables, charts, written information, forms, or other information clients might need in order to complete one or more of the activity sheets could be included as a supplement. Supplements may be used to assist the client in meeting the performance objectives.

Transparency Masters (White Pages) — **Instructor's Edition Only**

Transparency masters provide information in a special way. They direct the class's attention to the topic of discussion and allow the instructor to illustrate the topic. The use of transparencies is especially effective for visual learners who prefer to see the topic being presented as well as hear about it. Transparencies may present new information or they may reinforce information presented in the information sheets. Transparencies should be made ahead of time and placed with the rest of the materials necessary to teach the unit.

Activity Sheets (Tan Pages)

Activity sheets provide activities which support several objectives or deal with clients' attitudes, beliefs or appreciation of the study area. Some may ask rather personal questions and are only intended for each client's personal use while other activity sheets may require the client to monitor his or her own actions or other personal variables over a period of time. Activity sheets will vary greatly in their design from unit to unit. When Activity Sheet Answers (pink pages) are provided, they are found only in the Teacher's Edition.

Activity Sheet Answers (Pink Pages) — **Instructor's Edition Only**

This component is designed to assist the instructor in evaluating client performance on assignment sheets.

PAGE NUMBERING

Each publication for the CIMC is assigned a specific abbreviation or will be recognized by the book title. *Small Business Management* will be referred to by "SBM." Each unit is identified by the unit number in Roman numerals followed by the page number. The first page of each unit is always page 1. The component name, book title, unit number, and page number within the unit are printed at the bottom of each page. An example of the page footer for an objective sheet in *Small Business Management* is shown below.

OBJECTIVE SHEET - SBM
I - 1

METHODS OF DISSEMINATING MATERIAL

Each client should be provided with a client workbook. Workbooks may be purchased for less than an instructor can reproduce them, especially when the instructor's time is considered. Client workbooks contain everything but the suggested activities, handouts, transparency masters, and activity sheet answers. Clients should be allowed to take their workbooks home when they complete the program.

TEACHING METHODS

It is a challenge to keep clients motivated. Instructors can supplement the objectives by providing the "why," personal experiences, and current information. Preparation for each unit should be determined by how each objective can best be taught. Clients should become involved in preparing and planning for each unit.

If the material will be utilized in an individualized instruction situation, instructors should provide opportunities that will allow clients to become involved in planning for and being responsible for their own education.

DISCLAIMERS, CORRECTIONS AND SUGGESTIONS

Materials

Please note that suggested resources and references listed in this publication existed when this publication was written. CIMC assumes no responsibility for providing these materials and cannot ensure the availability of these materials as individual vendors, manufacturers, and publishers may discontinue these products at any time.

Safety

The Curriculum and Instructional Materials Center (CIMC) wants to provide vocational instructors and clients with materials that are accurate and effective. Although the CIMC strives to maintain the highest standards of development and production, oversights occasionally do occur. The CIMC assumes no responsibility for any adverse effects resulting directly or indirectly from information, suggested procedures, undetected errors or the reader's misunderstanding of the information presented.

Corrections and Suggestions

If you find any errors in this or other CIMC publications or have suggestions for improving their usefulness in vocational programs, please notify the CIMC staff. One easy way of pointing out errors is to make a photocopy of the affected page and to indicate the correction on the copy. Mail this information to the CIMC, where it will be used to correct the publication before the materials are reprinted.

To ensure that the material is updated on a timely basis, notify the CIMC of necessary corrections as soon as possible after discovering the error. Do not assume that someone else will notice the error and inform the CIMC; other users may be making the same assumption. Please send corrections and recommendations for improving this publication to the following address:

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OBJECTIVE SHEET

ENTREPRENEURSHIP

I

INTRODUCTION

Webster's *New World Dictionary* defines an entrepreneur as "a person who organizes and manages a business undertaking, assuming the risk for the sake of the profit." Even though this definition seems simple, there is some confusion over what separates an entrepreneurship from other businesses. Some believe entrepreneurships must be a new business offering a new product or service. Others feel that entrepreneurship can be a franchise or new products offered by established companies. Most people agree, however, that an entrepreneurship must include initiative taken by the owner, an organization that converts resources to a product or a service, and the owner's assumption of risk. These definitions are satisfied by many new or small businesses, as small as a lemonade stand or as large as Federal Express.

UNIT OBJECTIVE

After completing this unit, the client should be familiar with the Small Business Management Program, understand what entrepreneurship is, the factors leading to entrepreneurial success or failure, and role of entrepreneurship in our nation's economy. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with entrepreneurship.
2. Describe the role of entrepreneurship in our economy.
3. Compare the differences in small and large businesses.
4. List common reasons for small business failure.
5. State the three rules of brainstorming.
6. Discuss characteristics of successful entrepreneurs.
7. Brainstorm on what makes a business successful.
8. Determine your success quotient rating.
9. Determine the characteristics that helped an entrepreneur succeed and compare them to your own characteristics.

SUGGESTED ACTIVITIES

ENTREPRENEURSHIP

I

PREPARATION

- Review the unit and plan your presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine the scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Order materials to supplement the unit. A VCR and television or 16mm projector, a flipchart, and a supply or markers will be used in unit activities.
- Invite a successful entrepreneur, Chamber of Commerce or other business leader, or Small Business Administration representatives to speak to the class about entrepreneurship.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.
- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

- As clients begin this course, pay particular attention to making them feel comfortable and enhancing their self-esteem.
- Provide name cards or tags for the first few classes.
- Refreshments may be served during class. These can be provided by the school, by you, or by class members.
- Begin the class by introducing yourself, having clients complete any necessary forms, and discussing the schedule, rules, and other matters of importance.

- Handout 1 "Focus on You" can be used as a get-acquainted exercise.
- Handout 2 "The Dollar/Idea Exchange" can be used to illustrate the goals of the class.

Objective 1 Define terms associated with entrepreneurship.

- Conduct an icebreaker activity, then lecture from Handouts 1, 2, and 3.
- Use Supplements 1 and 2 "The Definition of Small Business..." and 2 "The Greatest Factor..." to illustrate the nature of entrepreneurship.
- Discuss variations on the root word common to entrepreneur and enterprise and determine their common meaning.
- Discuss variations in definition of "entrepreneur."
- Have students introduce themselves and tell a bit about their business.

Objective 2 Describe the role of entrepreneurship in our economy.

- Use current information to inform clients about trends and economic status.
- Encourage clients to read trade journals specific to their businesses.
- Have clients bring an idea that can be applied to their businesses and share it with the rest of the group.

Objective 3 Compare the differences in small and large businesses.

Objective 4 List common reasons for small business failure.

- Show the video *I Can Do It — Stew Leonard*. As they watch the film, have clients note qualities that helped lead to his success.
- Have clients compare an established business, a franchise, and an entrepreneurship. For each common failure, have clients list resources or help available to established businesses or franchises that are not available to entrepreneurships.

Objective 5 State the three rules of brainstorming.

- Have clients list episodes of brainstorming they experience during the day to build awareness of brainstorming activities (coffee shop talk, working with sales team, etc.).
- Have clients complete Activity Sheet 1.

Objective 6 Discuss characteristics of successful entrepreneurs.

- Have clients read Supplements 2 and 3.
- Have clients complete Activity Sheets 2 and 3.
- Have clients complete Handout 3.

APPLICATION

Objective 7 Brainstorm on what makes a business successful?

Objective 8 Determine your success quotient rating.

Objective 9 Determine the characteristics that helped an entrepreneur succeed and compare them to your own characteristics.

- Have clients complete the activities as given. Partners or married couples may want to work together on projects.
- Some entrepreneurs who are interviewed may be invited to class.
- Host an "Entrepreneurs Night" and invite all the interviewees to attend.
- When possible, have clients relate their personal business experience to the activities.
- Tell clients that a 1990 Texas A&M study showed that, of 3,000 businesses studied, 70% were still operating at the end of 3 years. The key factors in success were previous management experience and previous business ownership.

SUGGESTED RESOURCES

Media

- *I Can Do It — Stew Leonard*, The National Federation of Independent Business. To purchase or rent the film, contact Direct Cinema Limited, PO Box 69589, Los Angeles, CA 90069, or call 1-800-FILMS 4 U.
- *Open for Business*. 1/2" VHS, color, 60 min., 1985, Maryland State Department of Education. Program 1 — Begins with interview of six entrepreneurs who define, describe, and discuss advantages and disadvantages of being self-employed. Program 2 — Presents a series of interviews with entrepreneurs in which they discuss the sources of their ideas and how to assess the sources of their ideas and how to assess the potential success of new venture ideas. Order No. V023. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, Oklahoma 74074, 405-743-5164. Out-of-state teachers may contract Maryland State Department of Education, 11767 Bonita Avenue, Owing Mills, MD 21117.

SUGGESTED RESOURCES

Publications

- Paul Mareken, *Growing a Business*. Simon and Schuster, New York, 1989.
- J. D. Ryan, Lee A. Eckert, Robert L. Ray, *Small Business — An Entrepreneur's Plan*, Harcourt, Brace, Jovanovich Publishers, 1990.

UNIT REFERENCES

- Ashmore, Balough, et.al., *Beyond a Dream: An Instructor's Guide for Small Business Exploration*. The National Center for Research in Vocational Education, 1985.
- *Home-Based Business: The Basics of Doing Business from Your Home — A Small Business Management Training Instructor's Guide*. U.S. Small Business Administration, Office of Management Assistance, 1984.
- Kiam, Victor, *Going for It*. New York: Morrow, 1986.

- Hodgetts, Richard M. and Donald F. Kuratkao, *Effective Small Business Management*. Orlando, Florida: Harcourt, Brace, Jovanovich Publishers, 1989.
- Newstrom and Scannell, *Games Trainers Play*. McGraw-Hill Book Co.
- *Program for Acquiring Competence in Entrepreneurship, Revised*. Unit 1 — "Understanding the Nature of Small Business" and Unit 2 — "Determining Your Potential as an Entrepreneur"; the National Center for Research in Vocational Education, 1983.
- *Steps to Starting a Business*, Small Business Reporter Series, Bank of America, San Francisco, CA, 1983.
- *Success!* Magazine, December 1985, p. 14.

Focus on You

- Pair off with another client you do not know.
- Spend 10 minutes getting acquainted. During the 10 minutes, fill out the form below with information about your partner.
- Introduce your partner to the class using the information on this form.

Name ____________________

City ____________________

Career Goal ____________________

Why did you enter this training? ____________________

____

Hobbies ____________________

Other information ____________________

____

Group Profile

Number of Participants ____________________

Types of businesses:

Wholesale ____________________

Retail ____________________

Manufacturing ____________________

Service ____________________

Number of employees ____________________

Years in business ____________________

Male ________ Female ________

Notes or Comments ____

____

____

____

____

THE DOLLAR/IDEA EXCHANGE

GOAL: Creating an environment that will encourage free exchange of ideas among clients.

MATERIALS NEEDED: Play money

Version 1

- Give each client one dollar of play money.
- Ask one client for the loan of his or her dollar.
- Ask a second client for the loan of his or her dollar.
- Repay the first loan with the second dollar and the second loan with the first dollar.
- Ask the class:
    - Has any person profited from the exchanges? (No)
    - Would they have profited if ideas rather than money were exchanged? (Yes)
- Explain to the class that if ideas were shared, the entire class would have benefitted.

Version 2

- Distribute play money to the class.
- Have clients exchange money (equal exchanges only).
- Ask the class if any person has profited from the exchanges (No).
- Have each client write an idea on each bill and repeat the exchanges.
- Ask the class if they have gained from these exchanges (Yes).

Follow-up Discussion Topics

- What keeps us from sharing ideas with others?
- What helps us share ideas with others?

AN ANALYSIS OF YOUR BUSINESS

Business Name: ______________________

1. My business's best qualities are: ______________________

2. My business's weaknesses are: ______________________

3. I should learn more about or seek assistance with: ______________________

HANDOUT 4

ENTREPRENEURSHIP

IT'S ALL IN YOUR HEAD

WE HAVE ALL HEARD MANY TIMES THAT WE BECOME WHAT WE THINK ABOUT ... THAT WE ATTAIN OUR OWN EXPECTATIONS, EVEN IF THOSE EXPECTATIONS ARE NEGATIVE.

I BELIEVE THAT EVERY HUMAN BEING WAS BORN TO WIN ... THAT EVERY PERSON HAS SOMETHING VERY SPECIAL TO GIVE ... SOME VERY SPECIAL DESTINY TO FULFILL.

I ALSO BELIEVE THAT MANY PEOPLE NEVER ALLOW THAT DESTINY TO HAPPEN.

WE HAVE ALL HEARD SPEAKERS TELL US TO GET MOTIVATED, GET AFTER OUR DREAMS, TO REACH OUT FOR A GREAT BIG SLICE OF LIFE.

PEOPLE MAKE A LIVING TRYING TO TALK OTHERS INTO SEEKING THEIR DESTINY.

ONE OF THE MOST WATCHED FILMS EVER RELEASED IS THE *WIZARD OF OZ.* HOW MANY OF YOU HAVE NOT SEEN THIS MOVIE AT LEAST HALF-A-DOZEN TIMES?

THE FIRST TIME FOR MOST PEOPLE IS WHEN WE WERE CHILDREN. YOU SEE, THE *WIZARD OF OZ* HAS A TIMELESS TRUTH THAT MANY OF US NEVER REALLY THINK ABOUT.

DO YOU REMEMBER THE CHARACTERS:

LION	COURAGE	MEDALS
SCARECROW	INTELLIGENCE	CERTIFICATE
TIN MAN	HEART	HEART NECKLACE
DOROTHY		TO GO HOME

THEY HAD THESE THINGS INSIDE THEM ALL ALONG ... DIDN'T THEY!

THE UNIVERSAL TRUTH IS THAT WE ALL HAVE OUR VERY BEST STILL IN US. IT'S JUST WAITING TO COME OUT.

SO MANY PEOPLE EXIST THROUGH THEIR ENTIRE LIVES WITH THE "SOMEDAY" SYNDROME...

"SOMEDAY I'M GONNA"

"IF ONLY I HADA"

"IF I PUT MY MIND TO IT"

LET'S CALL THESE PEOPLE THE "COULDA," "SHOULDA," AND "WOULDA'S" IN LIFE.

WAITING FOR SOMEONE ELSE TO BRING IT OUT. MORE OFTEN THAN NOT ... THE BEST NEVER DOES COME OUT. SO MANY PEOPLE LITERALLY GO TO THEIR GRAVE WITH THEIR MUSIC STILL IN THEM ... IT'S SAD BUT TRUE.

YOU SEE, BEING MOTIVATED IS NOT SOMETHING THAT SOMEONE ELSE CAN POUR IN FROM THE OUTSIDE ... IT IS SOMETHING THAT EACH ONE OF US ALREADY HAS INSIDE...

THAT SPECIAL DESTINY IS ALREADY THERE ... BUT IT MUST BE RELEASED FROM WITHIN ... NOT POURED IN FROM THE OUTSIDE.

DENNIS WAITLY, IN *THE PSYCHOLOGY OF WINNING*, SAYS THAT WINNING IS ATTITUDE TRANSFORMED INTO ACTION.

"IF WE EXPECT TO WIN ... WE WIN ... IF WE EXPECT TO LOSE ... WE LOSE."

WE AIM TOWARD OUR EXPECTATIONS OF OURSELVES.

POSITIVE SELF-EXPECTANCY IS PURE AND SIMPLE OPTIMISM AND ENTHUSIASM FOR EVERYTHING YOU DO.

"OPTIMISM IS EXPECTING THE MOST FAVORABLE RESULTS FROM YOUR OWN ACTIONS." (WAITLY)

"WINNERS EXPECT TO WIN IN ADVANCE. THERE WAS NEVER A TRUE WINNER WHO DIDN'T EXPECT TO WIN IN ADVANCE." (WAITLY)

LIFE IS A SELF-FULFILLING PROPHECY. YOU USUALLY GET WHAT YOU EXPECT IN THE LONG RUN.

FAITH BUILDS CONFIDENCE AND EVEN MOVES MOUNTAINS. YES, WE TRULY DO BECOME WHAT WE THINK ABOUT.

WE HAVE GOT TO WANT TO BE SUCCESSFUL!

ARE WE WILLING TO MAKE THE COMMITMENT?

A. TO SET ATTAINABLE GOALS!

B. TO INVEST OUR TIME!

C. TO WORK EFFECTIVELY!

YOU SEE...

1. ACCOMPLISHING DOES NOT HAPPEN BY ACCIDENT!
2. NOTHING WORTHWHILE COMES EASY.
3. IT REQUIRES A DETERMINED COMMITMENT.
4. WE MUST DEVELOP A WINNING HABIT.

THIS COURSE IS A PROGRAM OF CHANGE BECAUSE.

YOU FOLKS AREN'T HERE BECAUSE YOU'RE CONTENT WITH WHAT YOU HAVE ALWAYS GOTTEN.

SO, NOW IS THE TIME TO ROLL UP OUR SLEEVES AND GET AFTER IT. THAT'S WHAT WE'RE HERE FOR TONIGHT.

WE CAN'T TALK ABOUT POSITIVE SELF PROJECTION WITHOUT TALKING ABOUT LEADERSHIP...

FIRST, SELF-LEADERSHIP AND THEN THE LEADERSHIP OF OTHERS.

LEADERSHIP

IS A WORD ON EVERYONE'S LIPS.

THE YOUNG ATTACK IT.

THE OLD GROW WISTFUL FOR IT.

PARENTS SEEM TO HAVE LOST IT.

AND

THE POLICE SEEK IT.

EXPERTS CLAIM IT.

AND

SCHOLARS WANT IT.

BUREAUCRATS PRETEND THEY HAVE IT.

AND

POLITICIANS WISH THEY DID.

EVERYBODY AGREES THAT THERE IS LESS OF IT THAN THERE USED TO BE.

BUT ... WHAT IS IT??

THIS COURSE IS CALLED SMALL BUSINESS MANAGEMENT. MAYBE WE SHOULD CALL IT SMALL BUSINESS LEADERSHIP. CERTAINLY, WE WILL BE SHARING BOTH CONCEPTS WITH YOU IN THE MONTHS AND YEARS TO COME.

BEING JUST A GOOD MANAGER TODAY IS SIMPLY NOT ENOUGH. WE MUST BE LEADERS TOO!

DURING THE 60'S, WE HEARD SO MUCH ABOUT EFFICIENCY EXPERTS. TODAY, WE HEAR ABOUT BEING EFFECTIVE.

EFFICIENT MANAGERS DO THINGS RIGHT. EFFECTIVE LEADERS DO THE RIGHT THING RIGHT.

LEADERS ARE VISION-ORIENTED.

WHY IS IT SO IMPORTANT THAT WE BE LEADERS, TOO? BECAUSE LEADERSHIP INSPIRES LEADERSHIP, FIRES CREATIVITY. LEADERSHIP BRINGS OUT THE BEST IN PEOPLE AROUND US! DO YOU KNOW WHO THE HAPPIEST PEOPLE ARE? THE PEOPLE WHO ARE INSPIRED TO

PERFORM AT THEIR BEST.

PEOPLE LOVE A SENSE OF ACCOMPLISHMENT. WE, AS EMPLOYERS, MUST PROVIDE THAT LEADERSHIP.

IN OUR EMPLOYEE TRAINING, WE'LL DISCUSS THE FACT THAT EMPLOYERS WOULD LIKE TO PAY MORE. THE ONLY ANSWER TO THAT IS PRODUCE MORE.

GIVE YOUR EMPLOYEES THE OPPORTUNITY TO PERFORM AT THEIR PEAK BY GIVING THEM THE OPPORTUNITY TO SHARE YOUR DREAMS.

AS VICTOR KIAM, PRESIDENT OF REMINGTON, SAYS IN HIS BOOK *GOING FORTH*, "HELP THEM PAINT THE VISTA AND SHARE THE DREAM."

IN LEADERSHIP ... YOU SET THE EXAMPLE. AS A LEADER, YOU MUST NOT ONLY KNOW HOW, YOU MUST ALSO KNOW WHY!

HE FOUND OUTSTANDING EMPLOYEES AND SHOWED THEM THE FUTURE HE PICTURED. AS THEY GOT CAUGHT UP IN HIS DREAM, HE HELPED THEM VISUALIZE THEIR PART IN IT.

THE IMPACT OF SMALL BUSINESS ON THE ECONOMY

THE EARLY 1980'S WERE TERRIBLE FOR SMALL BUSINESS...ESPECIALLY IN OKLAHOMA. MANY OF THEM COLLAPSED LIKE HOUSES OF CARDS IN A WINDSTORM. THE NUMBER OF BUSINESS FAILURES IN 1973 WAS 7,345; IT DIPPED TO ABOUT 6,600 IN 1978, THEN SKYROCKETED TO OVER 25,000 IN 1982.

BY THE MIDDLE OF THE 1982 RECESSION, DUN AND BRADSTREET RECORDED THE HIGHEST BUSINESS FAILURE RATE SINCE THE GREAT DEPRESSION OF THE 1930'S. DESPITE THE HIGH FAILURE RATE, RECORD NUMBERS OF AMERICANS CONTINUED TO START BUSINESSES.

WHY?

ACCORDING TO *MONEY MAGAZINE*, "THE LIKELIEST WAY TO BECOME A MILLIONAIRE IS *STILL* TO START YOUR OWN BUSINESS, AS ROUGHLY 600,000 PEOPLE DID LAST YEAR."

BUT YET, STATISTICS TELL US THAT ABOUT 80% OF ALL NEW BUSINESSES THAT START UP WILL FAIL IN THE FIRST 5 YEARS... 50% IN THE *FIRST 2 YEARS.* NEW STATISTICS SHOW THE ODDS ARE IMPROVING.

(INSTRUCTOR'S NOTE: CHECK FOR MORE UPDATED INFORMATION AND CURRENT EXAMPLES.)

LACK OF GOOD MANAGEMENT ... NOT MONEY... IS THE KEY REASON FOR MOST BUSINESS FAILURES. LACK OF MANAGERIAL SKILLS IS THE REASON THAT NINE OUT OF TEN BUSINESSES CLOSE.

IN 1984, 14,000 UNITED STATES COMPANIES FAILED ... LEAVING 4.46 BILLION DOLLARS IN UNPAID DEBT.

EACH YEAR BETWEEN 350,000 AND 500,000 COMPANIES ARE TOTALLED AS BUSINESS DISCONTINUATIONS ... NOT FAILURES ... BECAUSE THEY SATISFIED THEIR BUSINESS DEBTS. THEY MAY HAVE LOST THEIR INVESTMENTS, THEIR HOMES, AND EVEN THEIR LIFE SAVINGS. THESE ARE BUSINESSES WHICH NO LONGER PROVIDE JOBS OR ADD TO THE TAX BASE OF THE COMMUNITY.

HOW IMPORTANT IS IT THAT SMALL BUSINESSES SURVIVE?

- 95% OF ALL BUSINESSES ARE SMALL BUSINESSES.
- SMALL BUSINESSES PROVIDE:
  1) 33% OF THE NATION'S OUTPUT
  2) 40% OF ALL CIVILIAN JOBS
  3) 46% OF ALL RETAIL VOLUME

EVEN THOUGH 95% HAVE FEWER THAN 100 EMPLOYEES.

AS SMALL BUSINESS OWNERS, YOU WILL BE REQUIRED TO WEAR MANY HATS.

IT IS DIFFICULT TO BE THE SALES MANAGER, PURCHASING AGENT, AND CASH FLOW MANAGER AT THE SAME TIME.

SINCE, IN SMALL BUSINESS, OUR EMPLOYEES TEND TO BECOME ALMOST FAMILY, HOW DO WE SELECT THE RIGHT PEOPLE, TRAIN THOSE PEOPLE, MOTIVATE AND INSPIRE THEM TO GIVE THEIR VERY BEST?

LARGE COMPANIES HAVE THE LUXURY OF HAVING MANY PEOPLE ON STAFF IN SPECIALIZED AREAS.

STREAM OF SOUP ACROSS THE TABLE. THEN THE PRESIDENT CAREFULLY LIFTED THE FLY TO THE EDGE OF THE BOWL, TILTED HIS SPOON TO SLOWLY DRAIN THE SOUP, AND WIPED THE FLY OFF HIS SPOON WITH A NAPKIN. HE CAREFULLY LAID THE NAPKIN ON THE TABLETOP AND TURNED TO THE ACCOUNTANT. THE FINAL MEMBER OF THE TRIO LIKEWISE CAUGHT THE FLY IN HER SPOON AND DRAINED THE SOUP. BUT THEN SHE GRABBED THE OFFENDING INSECT BY THE WINGS AND DEMANDED "COUGH IT UP!"

PRIOR TO 1982, A BUSINESS OWNER DIDN'T NEED MUCH MORE THAN AN IDEA OR A SKILL, SOME CAPITAL AND SOME INITIATIVE TO BE SUCCESSFUL. TODAY, HAVING AN IDEA AND SOME MONEY IS NOT ENOUGH. IN FACT, IT IS A REAL GOOD WAY TO LOSE YOUR SHIRT.

MOST PEOPLE IN BUSINESS TODAY HAVE A TREMENDOUS AMOUNT OF KNOWLEDGE AND SKILLS IN SEVERAL AREAS OF MANAGEMENT.

TODAY ... THAT IS NOT ENOUGH ... BECAUSE WE NEED TO HAVE AN EFFECTIVE WORKING KNOWLEDGE OF SEVERAL AREAS OF MANAGEMENT IN ORDER TO SURVIVE AND PROSPER.

HELPING YOU TO REINFORCE AND BUILD ON YOUR EXISTING SKILLS AND TO HELP YOU FINE-HONE THOSE SKILLS IS WHAT THIS COURSE IS ALL ABOUT.

THROUGHOUT THE NEXT 2 YEARS, WE WILL ADDRESS SOME 20 DIFFERENT FACETS OF SMALL BUSINESS MANAGEMENT. NOT ONLY THAT, BUT WE WILL SHARE WITH YOU SOME COMMON SENSE IDEAS FOR IMPLEMENTATION IN YOUR COMPANY DURING OUR MONTHLY VISITS TO YOUR PLACE OF BUSINESS.

DURING THE NEXT SEVERAL MONTHS WE ARE GOING TO TALK ABOUT THE IMPORTANCE OF PROPER PLANNING AND COMMUNICATIONS.

- HOW TO HIRE THE RIGHT PEOPLE

- HOW TO TRAIN THOSE PEOPLE TO BE AN EFFECTIVE PART OF YOUR BUSINESS
- HOW TO USE YOUR TIME PROPERLY
- HOW TO DEVELOP A MARKETING AND ADVERTISING PLAN THAT WORKS FOR YOU
- PROPER CUSTOMER SERVICE AND EFFECTIVE SELLING TECHNIQUES
- HOW TO KEEP PROPER RECORDS ... WHICH RECORDS ARE NECESSARY AND WHICH ARE NOT NECESSARY

AND

- HOW TO USE YOUR PROFIT AND LOSS STATEMENT AND BALANCE SHEET AS AN OPERATING TOOL

(NOTE TO INSTRUCTOR: REFER TO YOUR MEETING SCHEDULE)

WE ARE LOOKING FORWARD TO A VERY PRODUCTIVE YEAR.

I COMMEND EACH ONE OF YOU FOR BEING HERE TONIGHT. I'VE HEARD SOME BUSINESS OWNERS SAY THAT "THEY CAN'T FIND THE TIME TO TAKE A CLASS" OR "I MUST BE DOING ALRIGHT, I'M STILL IN BUSINESS, AREN'T I?"

WELL ... SEEKING OUTSIDE ASSISTANCE IS NOT A SIGN OF WEAKNESS BUT RATHER A SIGN OF STRENGTH.

AGAIN, I COMMEND EACH ONE OF YOU FOR SEEKING WAYS TO ENHANCE YOUR EXPERTISE. OUR GOAL IS TO HELP YOU GET WHAT YOU NEED TO SUCCEED. WE WILL NOT LET YOU DOWN.

INFORMATION SHEET

ENTREPRENEURSHIP

I

OBJECTIVE 1

Define terms associated with entrepreneurship. (Supplements 1 and 2)

- **Brainstorming** — A problem-solving strategy in which all members of the group offer ideas or suggestions without restraint
- **Business** — An organization that transfers a resource to a service or product
- **Entrepreneur** — An individual who initiates a business, who accepts risk to initiate the business, and assumes responsibility for the business
- **Entrepreneurial** — The adjective form of entrepreneur
- **Entrepreneurship** — The experiences and activities involved in becoming an entrepreneur

OBJECTIVE 2

Describe the role of entrepreneurship in our economy.

- Small businesses add money and stability to our economy. In 1988 there were approximately 15 million sole proprietorships or partnerships in the United States. Small businesses earned approximately $323.9 billion in the first quarter of 1988. (Latest figures available at time of publication)
- New jobs are generated by small businesses. These jobs can offset fluctuations in the employment rate. The industry generating the largest number of new jobs in 1988 was the restaurant industry, which includes a large number of entrepreneurial firms. Construction and special trades, which are largely entrepreneurial, were other leading job-forming industries.

  NOTE: In 1987, 99.9% of all new jobs created in Oklahoma were created by small businesses.
- Entrepreneurial organizations provide opportunities for minorities. People who may be hampered by prejudice in large businesses find opportunities to advance in small businesses. In addition, entrepreneurial organizations can offer entry-level positions to nonskilled workers.

- Although a downward trend in the formation of small businesses and the number of small businesses in operation and formation of small businesses continued into 1988, the number of small business failures and bankruptcies also declined.

OBJECTIVE 3 **Compare the differences in small and large businesses.**

- Whether a business is large or small depends on the type of business, and number of employees or annual receipts.
  - Wholesale businesses with fewer than 500 employees are considered small.
  - Manufacturing businesses with 500-1500 employees are considered small, depending upon the type of manufacturing.
  - Agricultural businesses must earn $100,000 to $3,500,000 in annual income to be considered small business.
  - Construction businesses must have an average annual total receipts of $17,000,000 for the last three years to be a small business.
- 98% of all businesses are small businesses.
- 90% of U.S. small businesses employ less than 10 people.
- Excluding the farm sector, 58% of all U.S. employees work for small businesses.

OBJECTIVE 4 **List common reasons for small business failure.**

- Lack of technical support

  EXAMPLE: Franchise owners are able to contact headquarters for problem solving and information. These resources are not as readily available to entrepreneurs.

- Lack of experience
- Lack of capital

- Poor location
- Purchase of too much inventory or poor inventory choices
- Purchase of too much permanent equipment
- Poor credit-granting policies
- Unnecessary personal expenses
- Unplanned expansion
- Uncontrolled expenses
- Inadequate sales volume
- Heavy expenses
- Lack of attention to competitors
- Poor collection methods
- Poor inventory management
- Inadequate records
- Inconsistent work schedule
- Internal conflict

OBJECTIVE 5 **State the three rules of brainstorming.** (Activity Sheet 1)

1. Every idea is a good idea.
2. There is no such thing as a bad idea.
3. If in doubt about the validity of an idea, see rules 1 and 2 above.

OBJECTIVE 6 **Discuss characteristics of successful entrepreneurs.** (Supplements 2 and 3, Activity Sheets 2 and 3)

- Most successful entrepreneurs are tough-minded and stick by their decisions.

- Successful entrepreneurs are willing to work harder and longer than others. They have high energy levels and "drive."
- Self-confidence helps entrepreneurs exercise authority, consult outside experts, acquire capital, sell the product, and hire the best people. They believe in their own ability to control their lives and achieve goals.
- To be successful, an entrepreneur must be willing to take risks and be able to exercise good judgement about risk-taking and setting limits. These skills are used when managing capital, loans, production, inventory, and customer credit.
- Entrepreneurs are able to adjust to changes in goals, technology, competition, or information.
- Successful entrepreneurs understand the marketplace. They creatively answer unfulfilled needs by viewing the needs as opportunities.
- Entrepreneurs constantly set and work toward goals. They have long-term commitment to the project and clear, short-term goals to make it work. Goals must be challenging, but attainable and realistic.
- Even the most successful entrepreneurs make mistakes. However, they use their problem-solving abilities to find solutions and then learn from the mistakes they have made. A successful entrepreneur must not be discouraged by failures.
- Successful entrepreneurs must be good leaders.
- Entrepreneurs want to make money. Successful and not-so-successful entrepreneurs share this desire. The difference is that successful entrepreneurs use their resources efficiently. Entrepreneurs also tend to measure success in terms of money earned rather than luxuries or power gained.
- Entrepreneurs compete with their own goals. They are willing to deal with some uncertainty about job and career security to attain the goals they have set for themselves.
- The strongest entrepreneurial trait is enthusiasm. It helps entrepreneurs remain positive, attentive, confident, creative, and flexible when tired or overworked.

"The Definition
of a Small
Business Is Work
and Money.
Too Much of One
and Too Little
of the Other.
Every
Small Business
Owner
Knows Which
Is Which."

Source: Unknown.

**"The
Greatest Factor
in My Going
into Business was
Ignorance.
I'm Glad I Did It,
now that I've
Made It, but
I'd Never Do It
Again Knowing
What I Know
Now."**

Source: Unknown

The Typical Small Business Owner

- Is male (although women are starting businesses at a faster rate than men)
- Works full-time with no employees
- Is a high school graduate with some college
- Has taken technical courses or is licensed/certified
- Works 50-70 hours / week
- Is 25-39 years old
- Has probably started with either $20-79,000 **or** less than $5,000
- Is using personal savings to finance the start (bank loans are second most common)
- Got the idea at their prior job

Common Reasons for Small Business Failure

- Lack of technical support
- Lack of experience
- Lack of capital
- Poor location
- Purchase of too much inventory or poor inventory choices
- Purchase of too much permanent equipment
- Unnecessary personal expenses
- Uncontrolled expenses
- Heavy expenses
- Poor collection methods
- Poor inventory management
- Inadequate records
- Inconsistent work schedule
- Internal conflict

TRANSPARENCY MASTER 2 SBM
I-45

IF YOU ALWAYS DO WHAT YOU HAVE ALWAYS DONE THEN YOU WILL ALWAYS GET WHAT YOU HAVE ALWAYS GOTTEN:

Improper buyer habits
Cash flow problems
Employee training problems

TM 2

ACTIVITY SHEET 1

ENTREPRENEURSHIP

I

Name ______________________________

OBJECTIVE 7

Brainstorm on what makes a business successful.

INTRODUCTION

Brainstorming is a simple technique that encourages creative strategies and idea exchange. You may be familiar with the process, but will benefit from a review of the basic rules and process.

DIRECTIONS

Divide into groups of four to five. Try to team with people you do not know. As a group, list at least fifteen items that make a business successful. When the list is complete, rank the top five items.

When teams have completed their lists and rankings, each group will present their top five items.

As a class, discuss the items each group ranked.

ACTIVITY SHEET 2

ENTREPRENEURSHIP

I

Name ______________________________ Score ________

OBJECTIVE 8 **Determine your success quotient rating.**

INTRODUCTION The quiz below was conducted by *Small Business Success* magazine. More than 100 California business owners were contacted. All the answers listed below were given by the business owners. To see how you correlate with the most successful business owners surveyed, use the chart following the quiz.

DIRECTIONS Choose the answer you think is best for each question.

______1. What is the key to business success?

- a. Business knowledge
- b. Market awareness
- c. Hands-on management
- d. Sufficient capital
- e. Hard work

______2. If a relative ever asks me for advice about starting a business I will tell them him/her to:

- a. Work for someone else in the field first
- b. Write a business plan
- c. Study marketing
- d. Give up the idea
- e. Learn about budgeting

______3. Which is the largest potential trouble spot?

- a. Too much growth
- b. Too little growth
- c. Too fast growth
- d. Too slow growth
- e. Sporadic growth

______4. I trust (select as many as apply)

- a. Nobody
- b. Myself
- c. My partner
- d. A few key employees
- e. My customers

______5. I am unhappy when my employees are:

- a. Late
- b. Unhappy
- c. Abrupt with customers
- d. Resigning
- e. Less dedicated than I

______6. My customers are: (select as many as apply)

- a. Always right
- b. Too fussy
- c. Demanding
- d. Worth listening to
- e. Dumb

7. Rank these in order of importance for small-business marketing success:

______a. Word-of-mouth

______b. Advertising

______c. Signs

______d. Location

______e. Community events

______8. When it comes to money I am:

- a. Careful
- b. Too carefree
- c. Emotional
- d. Shrewd
- e. Hardnosed

______9. Financially my firm:

- a. Has trouble with cash flow
- b. Has a good line of credit
- c. Is financed totally by receipt — no credit
- d. Is making better profits this year than last
- e. Knows exactly where it is all the time

______10. In hiring people:

- a. I take far too long
- b. I look for the cheapest person
- c. Personality is more important than experience
- d. I look for the best person and am willing to pay
- e. I only hire at the trainee level

______11. With my employees:

- a. I treat everybody the same
- b. I try to talk privately to everybody once a week
- c. To whatever extent possible I tailor assignments to personalities
- d. I encourage them to talk to me about the business
- e. I try to work alongside them whenever possible

______12. The real key to business success is:

- a. Hard work and perseverance
- b. Fine products and service
- c. Advertising
- d. Knowing the fundamentals of business
- e. Employees

______13. Competition is:

- a. Dumb
- b. Smart
- c. Cunning
- d. Everywhere
- e. A constant threat

_____14. The best competitive advantage is:

a. Experience
b. Understanding what the market wants
c. Confidence
d. Conducting a business ethically
e. A detailed plan

_____15. I keep:

a. Careful financial records
b. In touch with my customers
c. In touch with my employees
d. Trying new techniques
e. Wanting to retire

_____16. My dream is:

a. To grow the business until someone else can run it
b. To work until I drop
c. To give up these headaches and have more fun at work
d. To try another business
e. To take a vacation

_____17. I think business plans are:

a. For the birds
b. Nice but not necessary
c. Something I can do with my accountant
d. Useful and informative
e. Essential — wouldn't do business without them

_____18. What makes a terrific entrepreneur?

a. Creativity
b. Discipline
c. Consumer orientation
d. Technical proficiency
e. Flexibility

_____19. What does a business need most?

a. Money
b. Market research
c. Help
d. Time
e. A solid business plan

_____20. What is essential to marketing?

a. A "sixth´sense"
b. Market research
c. Customer awareness
d. Experience
e. Testing

Small Business Success Quiz produced in conjunction with U.S. Small Business Administration by Pacific Bell Directory.

Quiz Results

Question	Points
1	a = 5, b = 4, c = 3, d = 2, e = 1
2	a = 5, e = 4, b = 3, c = 2, d = 1
3	c = 5, a = 4, b = 3, d = 2, e = 1
4	b = 5, e = 4, d = 3, c = 2, a = 1
5	b = 5, d = 4, c = 3, a = 2, e = 1
6	d = 5, c = 4, a = 3, b = 2, e = 1
7	a = 5, d = 4, c = 3, b = 2, e = 1
8	a = 5, d = 4, e = 3, b = 2, c = 1
9	e = 5, d = 4, b = 3, a = 2, c = 1
10	d = 5, a = 4, c = 3, b = 2, e = 1
11	c = 5, d = 4, e = 3, b = 2, a = 1
12	e = 5, d = 4, a = 3, b = 2, c = 1
13	e = 5, d = 4, c = 3, b = 2, a = 1
14	a = 5, b = 4, c = 3, e = 2, d = 1
15	b = 5, a = 4, c = 3, d = 2, e = 1
16	e = 5, a = 4, b = 3, c = 2, d = 1
17	e = 5, d = 4, c = 3, b = 2, a = 1
18	c = 5, a = 4, b = 3, e = 2, d = 1
19	b = 5, e = 4, a = 3, d = 2, c = 1
20	c = 5, b = 4, e = 3, d = 2, a = 1

Score	Your Business Success Quotient
75-100	You are a successful entrepreneur whose operations reflect tried and true business practices
50-74	Your business is probably headed for long-term success. But success will come sooner if you sharpen your awareness of solid management skills and marketing techniques.
25-49	While you may be enjoying customer loyalty and repeat business, never forget that savvy competition is always looking for ways to take the lead. Don't let comfort lull you into false security. Be creatively assertive!
0-24	You may well have the right product. But to sell it successfully, you need to increase your market awareness and improve your operating philosophy. Reach out for practical classes, seminars and advice from people who have good business track records. And — keep persevering. It's the key ingredient to winning!

NOTE: These scores compare your responses to successful entrepreneurs' answers.

ACTIVITY SHEET 3

ENTREPRENEURSHIP

Name ______________________________

OBJECTIVE 9 **Determine the characteristics that helped an entrepreneur succeed and compare them to your own characteristics.**

INTRODUCTION As you have discussed the qualities that are common to successful entrepreneurs, you have probably thought of entrepreneurs you know. In this exercise, you will identify their qualities.

DIRECTIONS In the first column, list each of the characteristics of an entrepreneur you know. Add any other qualities he or she has that you believe helped build a successful business.

Now assess your own characteristics. Review the list of characteristics in the Information Sheet. Add special characteristics you have such as special training, creativity, or background.

Qualities of a successful entrepreneur I know:

____

____

____

____

____

____

ACTIVITY ANSWERS

ENTREPRENEURSHIP

ACTIVITY SHEET 1	Check that client completed the form. Counsel on how to improve or make changes as needed.
ACTIVITY SHEET 2	Client should have completed the interview and reported to the class.
ACTIVITY SHEET 3	Check for a reasonable analysis of traits. Counsel as needed.

OBJECTIVE SHEET

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

II

INTRODUCTION

Two important tools for any successful entrepreneur are goal-setting and planning. When used effectively, they can increase business and personal successes.

UNIT OBJECTIVE

After completing this unit, the client should understand the benefits of goal-setting, planning, and time management and be able to use methods and techniques presented in the unit to implement them. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with goal-setting and planning.
2. Discuss the benefits of goal-setting.
3. List the five principles of goal-setting.
4. Distinguish between long- and short-range goals.
5. Discuss different types of goals.
6. Name the eight areas in which a well-rounded person uses goal-setting.
7. Name the seven steps for accomplishing goals.
8. Discuss the benefits of planning.
9. State easy-to-use planning and time-management strategies.
10. Discuss the importance of organization in achieving goals. (Activity Sheet 1)
11. Complete a self-evaluation for setting goals. (Activity Sheet 2)
12. Write your goals. (Activity Sheet 3)
13. Set long- and short-range goals for the eight areas of a well-rounded life. (Activity Sheet 4)

14. Apply the seven steps for accomplishing goals to your long- and short-range professional goals. (Activity Sheet 5)

15. Formulate a plan for improving planning and time-management in your family life. (Activity Sheet 6)

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

PREPARATION

- Review the unit and plan your presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine the scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a successful entrepreneur or efficiency expert to discuss the roles of planning, goal-setting, and time-management.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet, and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.
- Arrange for a VCR and television, an overhead projector, and a flip chart and markers or chalkboard for use during class.
- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the class into groups.
- Information on these topics is extensive and will have to be limited to what can be effectively presented during the class period. Careful planning is important.

DELIVERY

Objective 1 Define terms associated with goal-setting and planning.

- Have clients discuss why dreams and self-talk are important to small business owners.
- Have clients discuss other helps or hindrances to goal-setting and planning.

NOTE: Some instructors prefer to divide this material, assigning more or less emphasis to time management as desired.

Objective 2 Discuss the benefits of goal-setting.

- Begin the presentation using Transparency Master 1, "Have You Ever Had a Day Like Farmer Jones?"
- Have clients complete Activity Sheets 1 and 2.
- Have clients brainstorm about the benefits of goal-setting.
- Have clients brainstorm about the areas of their lives that benefit from goal-setting.
- Have clients choose another person, fictional or real, and list some goals that person has set. For example, Beetle Bailey has set goals of napping whenever possible, not getting caught by Sarge, and escaping work. Current well-known business personalities can also be used.

Objective 3 List the five principles of goal-setting.

- As goal-setting is discussed, define the terms *positive*, *realistic*, *attainable*, and *specific*.
- Review reasons for writing down goals. Ask clients if they do this and ask for examples (i.e., budgets, five-year plans).

Objective 4 Distinguish between long- and short-range goals.

- This objective will be covered in Activity Sheet 3 along with Objective 5.
- Have clients discuss the differences between long- and short-range goals. Include discussion of the time needed to achieve, the nature of the two, the emotional reaction to fulfilling each, and the interdependence of the two.

Objective 5 Discuss different types of goals

Objective 6 Name the eight areas in which a well-rounded person uses goal-setting.

- Have clients complete Activity Sheet 3.
- Have clients brainstorm the relative importance of the eight areas.
- Have clients brainstorm the effect of societal changes on planning in all eight areas. For example, how do women in the work place affect planning in each area? Ageing population? Computer use?

Objective 7 Name the seven steps for accomplishing goals.

- Divide the group into seven areas and have each group brainstorm why each step is necessary and how it benefits the planner.
- Have clients discuss pressures from family, friends, and society.
- Provide basic information about finding resources and experts.
- Activity Sheet 4 will include these steps, but may be postponed until after completing Objective 7.

Objective 8 Discuss the benefits of planning.

- Have clients complete Activity Sheet 5.
- Have clients suggest other questions for review.
- Show the film *Zig Ziglar Goals* and Transparency 2.

Objective 9 State easy-to-use planning and time-management strategies.

- Before presenting objective information, have clients brainstorm on planning and time-management tips.
- Have clients complete Activity Sheet 6.
- Have a time-management or efficiency expert discuss the benefits of planning and time-management strategies.
- Have group members compare their calendars and "to-do" lists.

APPLICATION

Objective 10 Discuss the importance of organization in achieving goals.

Objective 11 Complete a self-evaluation for setting goals.

Objective 12 Write your goals.

Objective 13 Set long- and short-range goals for the eight areas of a well-rounded life.

Objective 14 Apply the seven steps for accomplishing goals to your long- and short-range professional goals.

Objective 15 Formulate a plan for improving planning and time-management in your family life.

- Make all activities practical—encourage clients to use them as opportunities to apply the information to their own business.

SUGGESTED RESOURCES

Media

- *Zig Ziglar Goals* is an excellent tool for this unit. It was made in 1987 and is rather long (77 minutes). You may want to preview it and select certain segments for use. To order it, contact:

The Zig Ziglar Corporation
3330 Earhart, Suite 204
Carrollton, TX 754006
1-800-527-0102

- *Inside Track* distributed by Cally Curtis, 1111 N. Las Palmas Ave., Hollywood, CA, 90038, 1-800-522-2559.

- *The Time of Your Life* is a 30-minute film on time management. *A Perfectly Normal Day* is the sequel. They cover interruption and crisis management. Order from:

  Oklahoma Department of Vocational and
  Technical Education
  1500 W. Seventh Avenue
  Stillwater, OK 74074

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- Dodd, Gerard R., et al., *Managing Time and Personnel, Management Workbooks for Self-Employed People* Vol. 5, Dodd-Blair and Associates, 1984.

- Larkin, Alan, *How to Get Control of Your Time and Your Life.* New York: New American Library, 1973.

  NOTE: This book can be ordered through the video supplier listed for the film, *The Time of Your Life.* You may want to order them for the group. They are reasonably priced.

- Lyon, Barbara Jean, *Business Management and Ownership.* Stillwater, Oklahoma: Curriculum and Instructional Materials Center, Oklahoma Department of Vocational and Technical Education, 1982.

- Waitley, Denis, *Seeds of Greatness.* Fleming H. Revell Co., New York, 1983.

SOMEDAY I'LL

There is an Island fantasy
A "Someday I'll," we'll never see
When recession stops, inflation ceases
Our mortgage is paid, our pay increases
That Someday I'll where problems end
Where every piece of mail is from a friend
Where the children are sweet and already grown
Where all the other nations can go it alone
Where we all retire at forty-one
Playing backgammon in the island sun
Most unhappy people look to tomorrow
To erase this day's hardship and sorrow
They put happiness on "lay away"
And struggle through a blue today
But happiness cannot be sought
It can't be earned, it can't be bought
Life's most important revelation
Is that the journey means more than the destination
Happiness is where you are right now
Pushing a pencil or pushing a plow
Going to school or standing in line
Watching and waiting, or tasting the wine
If you live in the future you're on Someday I'll
The fear of results is procrastination
The joy of today is a celebration
You can save, you can slave, trudging mile after mile
But you'll never set foot on your Someday I'll
When you've paid all your dues and put in your time
Out of nowhere comes another Mt. Everest to climb
From this day forward make it your vow
Take Someday I'll and make it your Now!

From the book
Seeds of Greatness
by Denis Waitley

INFORMATION SHEET

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS II

OBJECTIVE 1

Define terms associated with goal-setting and planning.

- **Dreams** — Goals still being formed
- **Goals** — Clear, attainable targets that can be defined, discussed, visualized, or written
- **Objective** — A work step designed to achieve a goal
- **Planning** — Determining in advance what needs to be done and how it will be done; preparing a strategy and a specific time frame; results should be measurable
- **Procrastination** — Failure to act; hesitation

  NOTE: Procrastination can be due to fear of success or to fear of failure.
- **Self-talk** — The things you say about yourself, whether to yourself or to others

OBJECTIVE 2

Discuss the benefits of goal-setting. (Activity Sheets 1 and 2)

Goal-setting accomplishes the following:

- Provides direction
- Encourages setting priorities
- Enhances taking responsibility for your own life
- Helps determine strengths and weaknesses
- Transforms dreams to a series of steps toward reality
- Provides a sense of success
- Improves self-esteem
- Provides a strategy for taking action
- Strengthens decision-making abilities

OBJECTIVE 3

List the five principles of goal-setting. (Activity Sheet 3)

- Set your own goals for your own life—don't borrow someone else's.
- State your goals positively.
- State realistic and attainable goals.
- Set specific goals.
- Write down your goals.

OBJECTIVE 4

Distinguish between long- and short-range goals.

- Long-range goals
  - The end result you desire
  - May require months or years to be accomplished
  - Made up of a series of short-range goals
- Short-range goals
  - Lead you to the long-range goal
  - Reassure you that goal-setting works and that progress toward the long-range goal is being made
  - Provide esteem-building successes
  - Are measurable

OBJECTIVE 5

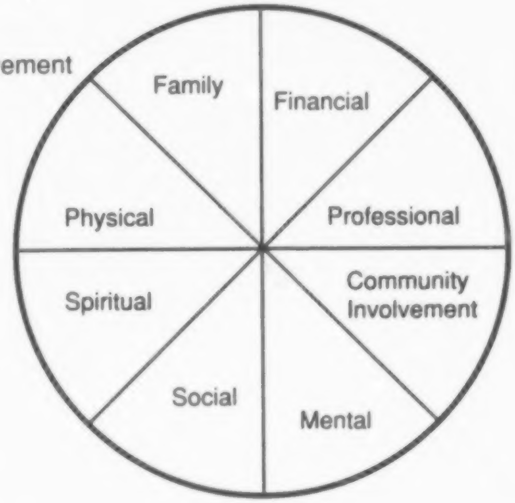
Discuss different types of goals.

- Regular work goals
  - Involve the activities comprising your major responsibilities
  - Include desires to improve efficiency, quality, quantity, etc.

- Problem-solving goals
  - Begin with identification of problems
  - After identification, solutions can be formulated and implemented
  - Opportunities to set problem-solving goals always exist
- Innovative goals
  - Involve tying something new, like offering a new line or implementing a new personnel policy
  - Can address problems
- Development goals
  - Involve continuing development of staff skills
  - Can cover technical or relationship skills improvement

OBJECTIVE 6 **Name the eight areas in which a well-rounded person uses goal-setting.** (Activity Sheet 4)

- Physical
- Family
- Financial
- Professional
- Community Involvement
- Mental
- Social
- Spiritual


Family
Financial
Physical
Professional
Spiritual
Community Involvement
Social
Mental

OBJECTIVE 7

Name the seven steps for accomplishing goals. (Transparency 1, Activity Sheet 5)

- Set your goals. Base the goals on these questions:
  - Is it your goal?
  - Is it moral and fair?
  - Is the short-range goal consistent with my long-range goals?
  - Will I be able to stick to the goal?
- Put a time limit on achieving the goal.
- List obstacles you must overcome.
- Identify experts and resources you will have to rely on.
- Determine the skills and education needed.
- Work out a strategy for achieving the goal.
- List the benefits you will derive from achieving the goal.

OBJECTIVE 8

Discuss the benefits of planning.

- Prepares you for the work ahead.
- Identifies tasks and goals.
- Provides increased efficiency.
- Cuts costs.
- Prevents duplication.
- Increases output.
- Allows more time for work on other projects.
- Helps you accomplish more goals.

OBJECTIVE 9

State easy-to-use planning and time-management strategies.
(Activity Sheet 6)

- Prepare yourself for the task—warm up to the task by thinking about what needs to be done.
- Divide tasks into groups of similar items.
- Vary your work to prevent fatigue and increase attention. After working on one task for about two hours, move on to something else.
- Vary your work speed. Work quickly for a little while, then slow down for a few minutes.
- Mix easy and difficult tasks. Grouping difficult tasks together will lead to frustration.
- Set stopping times and observe them.
- "Divide and conquer." Break large projects into several smaller jobs.
- Keep your work place organized. "A place for everything and everything in its place" will make work easier and cut down on wasted time.
- Don't let drop-in visitors or phone calls rob you of your time. Take steps to minimize interruptions and keep visits brief and to the point.
- Review your goals and keep your objectives in mind while working.
- Stay flexible.
- List daily goals and prioritize the items on your list.
- Make and use a daily to-do list.
- Do the most important tasks first.
- Do not duplicate tasks—handle each piece of paper only once.
- Don't procrastinate. Do it now.

"Have You Ever Had A Day Like Farmer Jones?"

"Decided to cut the hay, started to harness the horses, and found that a harness was broken; took it to the granary to repair it, and noticed some empty sacks; the sacks were a reminder that some potatoes in the cellar needed the sprouts removed; went to the cellar to do the job, and noticed the room needed sweeping; went to the house to get the broom and noticed the woodbox was empty; went to the woodpile, and noticed some ailing chickens. They were sad looking—poor things; decided to get some medicine for them. Out of medicine, so jumped in the truck and headed for the drugstore. On the way, ran out of gas."

KINDS OF GOALS

When you, as business owners, begin to set goals, you may want to know what areas are suitable for goal-setting.

It might be useful for you to have a classification of goals that suggests areas of opportunity.

The four areas of opportunity are:

1. Regular work goals
2. Problem solving goals
3. Innovative goals
4. Development goals

1. **Regular work** refers to those activities which make up the major part of the owner's responsibilities. Each owner should be able to find opportunities to operate more efficiently, to improve the quality of the product or service and to expand the total amount produced or marketed. You are setting goals to make your routine more efficient.

   EXAMPLE: You find the average employee turns 6¾ labor hours per day. You then set a goal to increase this average to 7½ labor hours per day.

2. **Problem solving** goals give an opportunity to identify major problems and set a goal to eliminate each problem. There is no danger of anyone ever running out of problems.

   EXAMPLE: End of year inventory reveals a 6% shrink. Identify the causes and set a goal to reduce shrink next year to 3%.

3. **Innovative goals** — Allow trying new techniques.

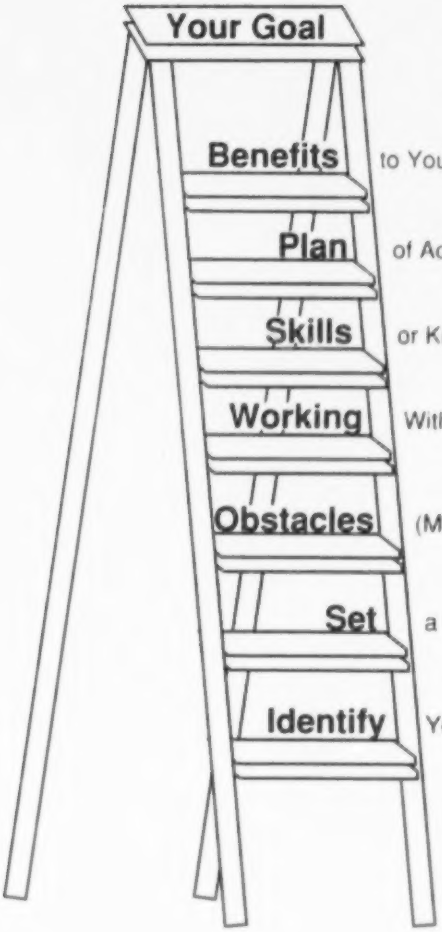
   EXAMPLE: Currently you pay employees by the clock hour regardless of productivity. You set a goal to revise employee's pay structure to reward productivity.

4. **The development goal** — Every owner must be to some extent a teacher and coach; as business owners, you must plan for the employee's continued growth in both technical areas and in working together effectively. So you are setting goals to develop your staff.

   EXAMPLE: Send employees to Vo-Tech for advancement of their current skills. Example: Secretary attends a word processing class.

THE TIME OF YOUR LIFE

STEP ONE:	LIST GOALS / SET PRIORITIES.
STEP TWO:	MAKE A DAILY "TO-DO" LIST.
STEP THREE:	START WITH A'S, NOT WITH C'S.
STEP FOUR:	ASK YOURSELF: WHAT IS THE BEST USE OF YOUR TIME RIGHT NOW?
STEP FIVE:	HANDLE EACH PIECE OF PAPER ONLY ONCE.
STEP SIX:	DO IT NOW!



Your Goal

Benefits to You for Reaching the Goal

Plan of Action to Reach the Goal

Skills or Knowledge Required to Reach the Goal

Working With Individuals, Groups, or Organizations

Obstacles (Major) You Must Overcome

Set a Completion Date

Identify Your Goals

Goals Summary

Goal-Setting is:

- A "Feeling" of Success
- A Way to Make Each Day Easier to Live!
- A Means of Inspiring Others!
- A Way to Make Life Exciting!

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

Name ____

OBJECTIVE 10

Discuss the importance of organization in achieving goals.

INTRODUCTION

We've all heard the phrase "The hurrier I go, the behinder I get." But is 'going hurrier' the way to achieve results, or is working smarter really better than working faster? Use the activity on the next page to determine your answer.

DIRECTIONS

Wait for directions from your instructor. When your instructor says "Go," begin circling the numbers in order. Circle "1" first, then "2," etc. You will have 20 seconds.

SCORE ________

1 61 13 41 9 81 17 21 45 89 49 37 5 69 35 29 25 33 65 53 73 57 77	42 74 14 70 18 22 86 46 34 2 30 78 6 38 50 82 90 10 54 26 58 66 62
15 79 39 31 3 71 47 83 55 7 27 51 75 11 67 19 87 23 43 35 59 63	32 76 16 80 8 40 28 24 72 52 56 12 88 4 36 20 60 44 48 68 84 64

How did organization help you accomplish the task? ________________

____

ACTIVITY SHEET 2

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

II

Name ______________________________

OBJECTIVE 11 **Complete a self-evaluation for setting goals.**

INTRODUCTION Setting goals is not a difficult thing—but it does require knowing what you want and what you are capable of. It is a process of asking the right questions and answering honestly. Use the activities below to determine what some of your goals are.

DIRECTIONS Answer "Yes" or "No" to questions in the first section. Then complete statements about your personal goals. Finally, evaluate the results. Ask yourself what strengths and weaknesses your answers reveal. Are your plans and current activities in line with your goals?

SELF-EVALUATION

Do you...

complete projects?
go over your goals in your mind?
wish you could break a number of bad habits?
daydream about achieving the same goal over and over?
talk and think positively about your goals?
know where your life is going?

DREAM A LITTLE DREAM

I really want to accomplish the goal of ______________________________

____

If I were rich, I'd ______________________________

____

The kind of person I'd like to be is ______________________________

____

I'd like to visit (place) ____________________

____

One improvement to my life would be ____________________

____

Something I'd do if I had the time is ____________________

____

Given the chance to start all over, I'd ____________________

____

____

____

____

ACTIVITY SHEET 3

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

Name ______________________________

OBJECTIVE 12

Write your goals.

The following is adapted from A. Lakein's *How To Get Control of Your Time and Your Life.*

1. LIST YOUR GOALS

List goals for the next three years for your family, personal, or business activities. Review these goals, according to the goal-setting principles in the Information Sheet.

____

____

____

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____

____

____

____

____

____

____

____

____

____

____

2. REVIEW YOUR GOALS

Review your goals for your progress toward achieving them. Construct a list of your 5-year goals. Also consider goal-setting principles in the Information Sheet.

PRIORITIZE YOUR GOALS

For two minutes, write down everything you can think of that you want or need to do. Write as fast as you can without thinking. Now prioritize them by writing an "A" in front of the most important, "B" in front of the second-most important group, and "C" in front of the least important. You may want to rank them according to when they need to be done.

3. CHANGE THE PREMISE

Repeat the exercises above with the premise that you know you will die a painless, instant death in six months. How did your goals change? How did your priorities change?

4. MAKE A CLEAR, CONCRETE LIST

Throw out all the goals marked "C". Work only with your A and B lists. Rearrange them, set new priorities, make a time line for yourself. Sometimes you will notice that several goals really lead in the same direction. Rename these into a single goal and label it "A" or "B".

5. IDENTIFY TASKS THAT WILL ENABLE YOU TO ACCOMPLISH THE GOALS

List the things you will have to do to achieve your objectives. For example if you put, "Increase the variety of my stock," activities might include "Attend one trade show every six months," or "Open a teen-age line by November 15."

Adapted from HOW TO GET CONTROL OF YOUR TIME AND LIFE by Alan Lakein.

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ACTIVITY SHEET 4	GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS	II

Name ______________________________

OBJECTIVE 13 **Set long- and short-range goals for the eight areas of a well-rounded life.**

INTRODUCTION We all have goals, whether we are aware of them or not. This Activity Sheet will help you clarify and identify your goals.

DIRECTIONS In the chart below, list one long-range goal for each area of a well-rounded life. Then list three short-range goals supporting that long-range goal. Date the list and review it in three months to check for progress.

Area of a well-rounded life:	Long-range goal	Short-range goals
Physical		
Family		
Financial		
Professional		
Community Involvement		
Mental		
Social		
Spiritual		
Date to be reviewed		

ACTIVITY SHEET 5

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

Name ______________________________

OBJECTIVE 14

Apply the seven steps for accomplishing goals to your long- and short-range professional goals.

INTRODUCTION

In Activity Sheet 4, you listed long- and short-range goals for the eight areas of well-rounded life. In this Activity, you will review your professional goals and fine-tune them for the most effective use.

DIRECTIONS

Write the long- and short-range professional goals you identified in Activity Sheet 4 on the blank provided. Then review it according to each of the items listed below. Write your answers in the blanks provided. Finally, rewrite the goals, with any changes indicated.

My long-range goal is ______________________________

My short-range goals are:

1. ______________________________
2. ______________________________
3. ______________________________

1. Discuss your goals. Base your discussion on these questions:
   - Is it *your* goal?
   - Is it moral and fair?
   - Is the short-range goal consistent with my long-range goals?
   - Will I be able to stick to the goal?
2. Put a time limit on achieving the goal.

   ____
3. List obstacles you must overcome.

   ____

   ____

4. Identify experts and resources you will have to rely on.

____

____

____

5. Determine the skills and education needed.

____

____

6. Work out a strategy for achieving the goal.

____

____

____

7. List the benefits you will derive from achieving the goal.

____

____

____

My revised long-range goal is: ________________________

____

My revised short-range goals are:

1. ____
2. ____
3. ____

ACTIVITY SHEET 6 GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

Name ______________________________

OBJECTIVE 15

Formulate a plan for improving planning and time-management in your family life.

INTRODUCTION

There never seems to be enough time for all the things we'd like to do. As in business, our family lives must be reviewed occasionally. Are we actually working toward our stated goals, or are we just floating from moment to moment? If you seem to spend your evenings and weekends running from job to job, take a moment to re-evaluate your planning and time-management practices.

DIRECTIONS

Review the lists of planning benefits and time-management practices. List the areas in need of improvement, formulate a strategy for meeting these needs, and implement the program for one week. Review the program for benefits or adjustments.

1. I need to improve these things in my personal life planning and time-management:

____

____

2. My strategy is:

____

____

3. Plan implemented on (date):

____

4. Remarks first day:

____

5. Remarks second day:

____

6. Remarks third day:

___

7. Remarks fourth day:

___

8. Remarks fifth day:

___

9. Remarks sixth day:

___

10. Remarks seventh day:

___

11. Family input:

___

___

12. I benefitted in these ways:

___

13. I discovered these problems:

___

14. My revised strategy is:

___

GOAL-SETTING AND PLANNING FOR PERSONAL AND BUSINESS SUCCESS

ACTIVITY SHEETS 1-6

All activity sheets are designed to illustrate the importance of goal-setting and planning and to provide an opportunity for practical experience for business owners. Evaluation should be based individually on the usefulness of the work done, the client's understanding of the information, and application of activities.

OBJECTIVE SHEET

BUSINESS RESOURCES

III

INTRODUCTION

Each year numbers of small businesses fail because their planning efforts from the beginning have been inadequate or in error. Knowing how to use resources that are readily available can help to insure that a business starting up or changing ownership has a good chance to succeed.

Libraries are excellent sources of information about business regulations, education, training, marketing assistance, trade associations, finance, advertising, demographics, suppliers, and a number of other topics for preparing a marketing strategy or a business plan. The information, available through a minimum of research, can assist anyone making business decisions.

UNIT OBJECTIVE

After completing this unit, the client should be able to conduct research and locate the information needed in the various planning processes of a new business or the change in ownership of an existing business. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with using a library.
2. Define terms commonly used in researching business topics.
3. List standard sources for business information easily accessible through a library.
4. List other sources useful to business research that are available outside of a library.
5. State advantages of using data bases.
6. Use a business directory to identify companies that manufacture products similar to yours. (Activity Sheet 1)
7. Use the *Thomas Register of American Manufacturers* to locate suppliers for your business. (Activity Sheet 2)
8. Use a local or state business directory to list service and product suppliers for your business. (Activity Sheet 3)

9. Use a trade directory to locate publications of interest and trade association information related to your business. (Activity Sheet 4)

10. Use *The Statement Studies*, "averages" to compare your research. (Activity Sheet 5)

11. Use the *Sourcebook of Demographics and Buying Power* or the *Predicast F & S Index United States* to locate customer purchasing-potential profiles. (Activity Sheet 6)

12. Complete a marketing research activity for your business. (Activity Sheet 7)

BUSINESS RESOURCES

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a local librarian to speak to the class.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of participants, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.

- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

Objective 1 Define terms associated with using a library.

- Discuss terms and definitions. Provide clients with examples to illustrate terms when possible.
- Refer clients to Supplement 1.

Objective 2 Define terms commonly used in researching business topics.

- Discuss terms and definitions. Provide students with examples to illustrate terms when possible.

- Refer clients to Supplement 2.

Objective 3 List standard sources for business information easily accessible through a library.

- Discuss the business information resources commonly available in a library.

Objective 4 List other sources useful to business research that are available outside of a library.

- Ask the class to name other ways they have found information about business, such as associates, television shows, etc.

Objective 5 State advantages of using data bases.

- Discuss the advantages of computer research via data bases, particularly noting the convenience and speed.

- Present information in data bases available at area libraries.

APPLICATION

Objective 6 Use a business directory to identify companies that manufacture products similar to yours. (Activity Sheet 1)

- Bring several types of business directories to class from the local community or other cities and states. Show some examples that are simple, such as phone books, and their usefulness in providing current addresses.

- Refer clients to Supplements 3-4.

Objective 7 Use the *Thomas Register of American Manufacturers* to locate suppliers for your business. (Activity Sheet 2)

- Discuss the possible reasons for choosing a supplier, such as geographic location, availability of materials or goods, price, etc.

Objective 8 **Use a local or state business directory to list service and product suppliers for your business.** (Activity Sheet 3)

- Ask clients to state the services that will be necessary to maintain their business and the suppliers they will need to carry on their business.

Objective 9 **Use a trade directory to locate publications of interest and trade association information related to your business.** (Activity Sheet 4)

- Have several trade journals and announcements for trade shows or conventions available for the clients to review.
- Ask the group to discuss what they might find of benefit to their business at a show or convention.

Objective 10 **Use *The Statement Studies*, "averages" to compare your research.** (Activity Sheet 5)

- Assist clients in making the comparisons and help them explore the reasons for differences in their estimates and the Morris averages.

Objective 11 **Use the *Sourcebook of Demographics and Buying Power* or the *Predicast F & S Index United States* to locate customer purchasing-potential profiles.** (Activity Sheet 6)

- Discuss the importance of demographic information. Be sure to emphasize the dangers of using statistics carelessly and the strength added to research by checking several sources when using statistical information.
- Refer to Supplements 5-8.
- Ask the group to try to interpret information by looking for possible trends in age or purchasing figures.

Objective 12 **Complete a marketing research activity for your business.** (Activity Sheet 7)

- Show the group the different types of publications for consumer goods or services marketing research.

- Discuss the different markets of both types.
- Ask the group to note similarities in the demographic information both businesses rely on in marketing research.

SUGGESTED RESOURCES

Publications

- Gates, Jean Key, *Guide to the Use of Books and Libraries*, 3rd ed., McGraw-Hill, New York, 1974.
- Lavin, Michael R., *Business Information*, How to Find It, How to Use It, Oryx Press, Phoenix, Arizona, 1987.
- *Stillwater Small Business Resource Guide*, A publication of the Small Business Assistance Committee, Stillwater Chamber of Commerce, Stillwater, Oklahoma, 1990.

UNIT REFERENCES

- *American Statistics Index*, 1973 — Congressional Information Service, Washington, annual.
- *Annual Statement Studies*, Ed., by Susan M. Kelsay. Robert Morris Associates, 1989.
- *National Trade and Professional Association Annual, 1989*. Ed. by John J. Russell, Columbia Books, 1989.
- *Periodical Directories & Bibliographies*. Ed. by Gary C. Tarbet, Gale, 1986.
- *Predicasts F & S Index United States*, (Annual Edition), Predicasts Inc., Cleveland, Ohio.
- *Predicasts Forecasts 1985*, Quarterly, with the last issue being cumulative for the year. Began with July 24, 1980, issue. Predicasts, Inc., Cleveland, Ohio, 1985.
- *Standard & Poor's 500*, Carol Mull, Am. Fed. Astrologers, 1984.
- *Statistics Sources, 2 vols.* 13 ed., Wasserman, Gale, 1989.
- *Thomas Register of American Manufacturers*, Industrial equipment news. Vol. 1— Feb. 1933— Thomas Publishing Co., New York, v. illus. monthly.

BUSINESS RESOURCES

A number of cities offer resource information to attract and assist new businesses in their communities. The following information was compiled for Stillwater, Oklahoma, by the Small Business Assistance Committee of the Stillwater Chamber of Commerce. The Chamber of Commerce in any community is a good place to check for this type of information.

Business Regulations

For requirements regarding permits, licenses and zoning, contact:

City Code Enforcement Office
723 S. Lewis
Stillwater, OK 74074
372-0025 ext. 212

Capitol Straight Line - State Government Information
Oklahoma Department of Commerce
1-800-522-8555 or 405-521-1601

For a liquor license, contact:
City Finance Department
723 S. Lewis
Stillwater, OK 74074
372-0025 ext. 352

The Oklahoma Tax Commission can provide information about state and local tax requirements.

Oklahoma Tax Commission
2501 N. Lincoln Boulevard
Oklahoma City, OK 73194-0018
1-800-522-8165 or 405-521-4321

Contact the Internal Revenue Service for information about Federal Taxes. Bulletin #334, "Tax Guide for Small Business", is informative and free. You will also need to apply for an Employer's Identification Number.

Internal Revenue Service
1-800-424-3676 (Forms and Publications)
1-800-424-1040 (Tax Assistance)

A new employer is also required to pay unemployment insurance taxes. The "Employer's Guide, Information About Unemployment Compensation" can be obtained free of charge from:

Oklahoma Employment Security Commission
Will Rogers Memorial Office Building, Room 220
2401 N. Lincoln Blvd., Oklahoma City, OK 73105-4495
405-557-7200

The Occupational Safety and Health Act of 1970 (OSHA) affects small and large business. For compliance information, contact:

Occupational Safety and Health Administration
4001 N. Lincoln Blvd., Oklahoma City, OK 73105
405-528-1500

Worker's Compensation Insurance is required by law for most small businesses. This insurance provides various benefits to an employee who suffers a job-related injury or illness. The insurance is sold by most private insurance companies, or it may be purchased through:

State Insurance Fund
410 N. Walnut — P.O. Box 53505
Oklahoma City, OK 73152
405-232-7663

If you plan to use an assumed or fictitious name, it is important to register it so that no one else will be able to use that name. If you are doing business as a sole proprietor or as a general partnership, contact the Payne County Clerk's Office, Courthouse Room 210, 606 S. Husband, Stillwater, OK 74074-(624-9300) to file your certificate. If you are a corporation or a limited partnership, contact the Oklahoma Secretary of State, 101 State Capitol, Oklahoma City, OK 73105 (405-521-3911). It is always a good idea to seek legal counsel before deciding to operate as a sole proprietorship, partnership, or corporation.

If you plan to use a brand name, trademark, or copyright, application must be made to:

Patent & Trademark Office
U.S. Dept. of Commerce
Washington, D.C. 20231

The Copyright Office - Register of Copyrights
Library of Congress, Washington, D.C. 20559

You may wish to employ the services of a patent attorney to assist you with this process which can be very time-consuming.

Before you begin your business, you should thoroughly investigate your business insurance needs. Consult an experienced insurance agent who can tailor an insurance package to meet the specialized needs of your business.

A Publication of the Small Business Assistance Committee, Stillwater Chamber of Commerce, Andrea Kelly, Chair

Education, Training, and Marketing Assistance

Oklahoma State University Cooperative Extension Service
Payne County Extension Office, Courthouse
606 S. Husband, Stillwater, OK 74074
405-624-9300 Ext. 24

Economic development training and information, business development training, and assistance in planning for community services and facilities.

Oklahoma State University Business Extension
215 College of Business Administration
Stillwater, OK 74078 405-744-5208

Business development, management, and communications seminars and training programs offered through the College of Business Administration.

Oklahoma State University Center for Apparel Marketing & Merchandising
College of Homes Economics — Room 306
Stillwater, OK 74078
405-744-7469

Information and assistance for both small apparel shop owners and retail educators.

Rural Enterprises, Inc.
P.O. Box 1335
Durant, OK 74702
405-924-5094

An industry innovation and finance center for new expanding businesses. Provides evaluation, development, and commercialization of new product ideas.

Small Business Development Center
Central State University
100 N. University Drive, Edmond, OK 73034
405-341-2980 Ext. 3321

Provides assistance and resources to small businesses including counseling and business training.

Oklahoma Home-Based Businesses
Oklahoma State University Cooperative Extension Service, Room 209, Home Economics Building, Stillwater, OK 74078, 405-744-5776

Offers educational programs and information for home-based businesses.

Oklahoma Department of Agriculture
Market Development Division
2800 N. Lincoln Blvd.
Oklahoma City, OK 73105
405-521-3864

Coordinates consumer awareness of Oklahoma products through the Made in Oklahoma Program. In addition, coordinates the Farmers Market Program which assists individual farmers and communities to develop and market alternative agricultural products.

International Trade Resource

If you plan to operate your business or sell your product outside of the United States, you may wish to contact the following:

Oklahoma International Export Services
6601 Broadway Extension — P.O. Box 26980
Oklahoma City, OK 73126-0980
405-843-9770

This is a joint program of the Oklahoma Dept. of Commerce and the U.S. Dept. of Commerce and International Trade Administration which provides comprehensive export assistance to Oklahoma companies.

Center for International Trade Development
Oklahoma State University
Stillwater, OK 74078
405-744-7693

Provides education, research and outreach to Oklahoma manufacturers statewide in developing their export sales potential. The Center draws up work plans for companies to identify prospects in the export markets for fees based on company need and market variables.

A Publication of the Small Business Assistance Committee, Stillwater Chamber of Commerce, Andrea Kelly, Chair

Financial Assistance

Small Business Administration
200 Northwest Fifth Street, Suite 670
Oklahoma City, OK 73102
405-231-4301

Small Business Administration (SBA) Guaranteed Business Loans are available through local banks for a variety of purposes including working capital, inventory purchase, machinery and equipment acquisition, construction or improvement of real property. Construction and Export Lines-of-Credit are also available.

Farmers Home Administration
Agricultural Center Building
Stillwater, OK 74078
405-624-4318

The Business and Industry Guaranteed Loan Program provides credit through commercial lenders to businesses which serve rural communities with populations of 50,000 or less. The primary purposes of the program are to enhance and develop rural areas, and to assist small business enterprises that promote or save jobs in these areas.

Capitol Resources Division
State Department of Commerce
6601 Broadway Extension - P.O. Box 26980
Oklahoma City, OK 73126-0980
405-843-9770 or 1-800-879-6552

The Division provides assistance in the area of public sector financing options to Oklahoma businesses, through such agencies as the Oklahoma Development Finance Authority, Oklahoma Industrial Finance Authority, and Community Development Block Grants.

Oklahoma Small Business Linked Deposit Program
State Treasurer's Office, Room 217, State Capitol
Oklahoma City, OK 73105
405-521-3191

The Linked Deposit Program is a way to reduce the interest rate on business loans at lending institutions. The State Treasurer's Office deposits funds in eligible lending institutions at reduced rates, and that reduction is passed on to the borrower. Contact your local lender or the State Treasurer's Office.

Other Sources of Information and Assistance

Oklahoma State Employment Service
711 S. Krayler
Stillwater, OK 74075
405-624-1450

Provides job placement services, unemployment insurance program, informational source for veterans, testing and counseling, certification for various training programs, statistical information for employers, application completion for various area employers at no charge.

Bogus Check Program

Office of the District Attorney - Payne County
Courthouse Rm. 202, 606 S. Husband
Stillwater, OK 74074
405-372-4883

This program is designed to assist citizens of payne County in collecting checks they have received considered false or bogus.

Small Claims Court
Payne County Courthouse Rm. 203, 606 S. Husband
Stillwater, OK 74074
405-372-3889

This is a public court for individuals who are suing for claims occurring in Payne County for a monetary or other consideration valuing $2,500 or less.

INFORMATION SHEET

BUSINESS RESOURCES III

OBJECTIVE 1

Define terms associated with using a library. (Supplement 1)

- **Call number** — Notation that provides a unique identifying code to show shelf location and aid libraries in circulation, inventory control, and recording keeping
- **Card catalog** — An alphabetical title, author, or subject list or resources located in the library usually typed out on cards that show the location for the material. Card catalogs may be index cards or computerized (TM 1 - Dewey Decimal card)
- **Dewey decimal system** — The most widely used classification system worldwide; organizes material by traditional academic disciplines or fields of study, from the general to the specific (Supplement 1)

  Example: The Dewey decimal system would show the subject of marriage as falling into several discipline classifications. Music for marriage ceremonies would fall under music, while ethical issues of marriage would fall under the discipline of philosophy, and legal matters in marriage would fall under the discipline of law.
- **Library of Congress system (LC)** — A classification system that uses both alpha and numeric classifications; the system is more difficult to sort and retrieve by computer methods than the Dewey decimal system

OBJECTIVE 2

Define terms commonly used in researching business topics. (Supplement 2)

- **Data bases** — A large computer bank that holds files on various subjects
- **Directories** — Compilations of facts, usually about the pertinent information of a business, such as the officers, products, and sales
- **Indexes** — Organized information about a subject; lists articles available on the subject in various publications

- **Standard Industrial Classification (SIC)** — A widely used industrial code that classifies business information according to product or industry; devised by the U.S. Office of Management and Budget to establish a standard for reporting business statistics; the SIC aids in any type of counting, sorting, or comparing of business activities and organizations (Supplement 2)

- **Trade association** — Membership organizations that focus on a specific trade and allow exchange of information and ideas among members through meetings, publications, or other avenues

- **Trade journals** — Publications of specific trades that carry the latest information regarding products or services and list events of interest to members of trade associations

OBJECTIVE 3 **List standard sources for business information easily accessible through a library.**

- Indexes
- Directories
- Investment source information
- Industrial statistics
- Corporate reports
- Trade journals
- Business periodicals (magazines)
- Guides to directories, indexes, special issues, data bases, etc.

OBJECTIVE 4 **List other sources useful to business research that are available outside of a library.**

- Newspapers
- Magazines
- Seminars and lecturers
- Professional organizations

- Industry newspapers
- Trade journals
- Business services, including newsletters
- Computer data bases
- Professional research services
- Computer software

OBJECTIVE 5 **State advantages of using data bases.**

Data bases are the results of electronic communication and are usually accessible to subscribers via telecommunications systems. The user sets up an account with a data base vendor, performs searches of the information as needed, and generally pays for the amount of time spent on-line. Several thousand of these data base services are available and many of them are business focused.

Data bases:

- Save money by not having to buy directories and material that is very expensive and seldom used;
- Are kept current and change faster than printed material;
- Give the user the benefit of computer speed in retrieving information;
- Save the researcher or user time; and
- Increases user's searching capability through the computer's power to organize and sort

NOTE: Data tapes, though not as common as on-line data bases, are also available to the home computer user and can include information such as bank regulatory reports, the prices of stock, and statistical demographics. The U.S. Bureau of the Census offers *County Business Patterns* and some of its other publications on disk.

Dewey Decimal Classification: The Hundred Divisions

000	**Generalities**
010	Bibliography
020	Library & information sciences
030	General encyclopedic works
040	
050	General serials & their indexes
060	General organizations & muscology
070	News media, journalism publishing
080	General collections
090	Manuscripts & rare books
100	**Philosophy & psychology**
110	Metaphysics
120	Epistemology, causation, humankind
130	Paranormal phenomena
140	Specific philosophical schools
150	Psychology
160	Logic
170	Ethics (Moral philosophy)
180	Ancient, medieval, Oriental philosophy
190	Modern Western philosophy
200	**Religion**
210	Natural theology
220	Bible
230	Christian theology
240	Christian moral & devotional theology
250	Christian orders & local church
260	Christian social theology
270	Christian church history
280	Christian denominations & sects
290	Other & comparative religions
300	**Social sciences**
310	General statistics
320	Political science
330	Economics
340	Law
350	Public administration
360	Social services; association
370	Education
380	Commerce, communications, transport
390	Customs, etiquette, folklore
400	**Language**
410	Linguistics
420	English & Old English
430	Germanic languages/German
440	Romance language/French
450	Italian, Romanian, Rhaeto-Romanic
460	Spanish & Portuguese languages
470	Italic languages/Latin
480	Hellenic languages/Classical Greek
490	Other languages
500	**Natural sciences & mathematics**
510	Mathematics
520	Astronomy & allied sciences
530	Physics
540	Chemistry & allied sciences
550	Earth sciences
560	Paleontology Paleozoology
570	Life sciences
580	Botanical sciences
590	Zoological sciences
600	**Technology (Applied sciences)**
610	Medical sciences/Medicine
620	Engineering & allied operations
630	Agriculture
640	Home economics & family living
650	Management & auxiliary services
660	Chemical engineering
670	Manufacturing
680	Manufacture for specific uses
690	Buildings
700	**The arts**
710	Civic & landscape art
720	Architecture
730	Plastic arts/Sculpture
740	Drawing & decorative arts
750	Painting & paintings
760	Graphic arts/Printmaking & prints
770	Photography & photographs
780	Music
790	Recreational & performing arts
800	**Literature and rhetoric**
810	American literature in English
820	English & Old English literatures
830	Literatures of Germanic languages
840	Literatures of Romance languages
850	Italian, Romanian, Rhaeto-Romanic
860	Spanish & Portuguese literatures
870	Italic literatures/Latin
880	Hellenic literatures/Classical Greek
890	Literatures of other languages
900	**Geography & history**
910	Geography & travel
920	Biography, genealogy, insignia
930	History of ancient world
940	General history of Europe
950	General history of Asia/Far East
960	General history of Africa
970	General history of North America
980	General history of South America
990	General history of other areas

Standard Industrial Classification Groupings

Major Group	Description
01-09	Agriculture, Forestry, and Fisheries
10-19	Mining and Construction
20-39	Manufacturing
40-49	Transport, Communications, and Utilities
50-59	Wholesale and Retail Trade
60-69	Finance, Insurance, and Real Estate
70-89	Other Service Industries
91-94	Government Services
99	Nonclassifiable Industries

Example of Classification Hierarchy

Class	Description
35	Machinery, except electrical
351	Engines and turbines
3511	Steam engines
3519	Internal combustion engines

Example of Four-Digit Expansion

Class	Description
36	Electrical Equipment
363	Household appliances
3631	Household cooking equipment
36311	Electric ranges
363117	Microwave ovens

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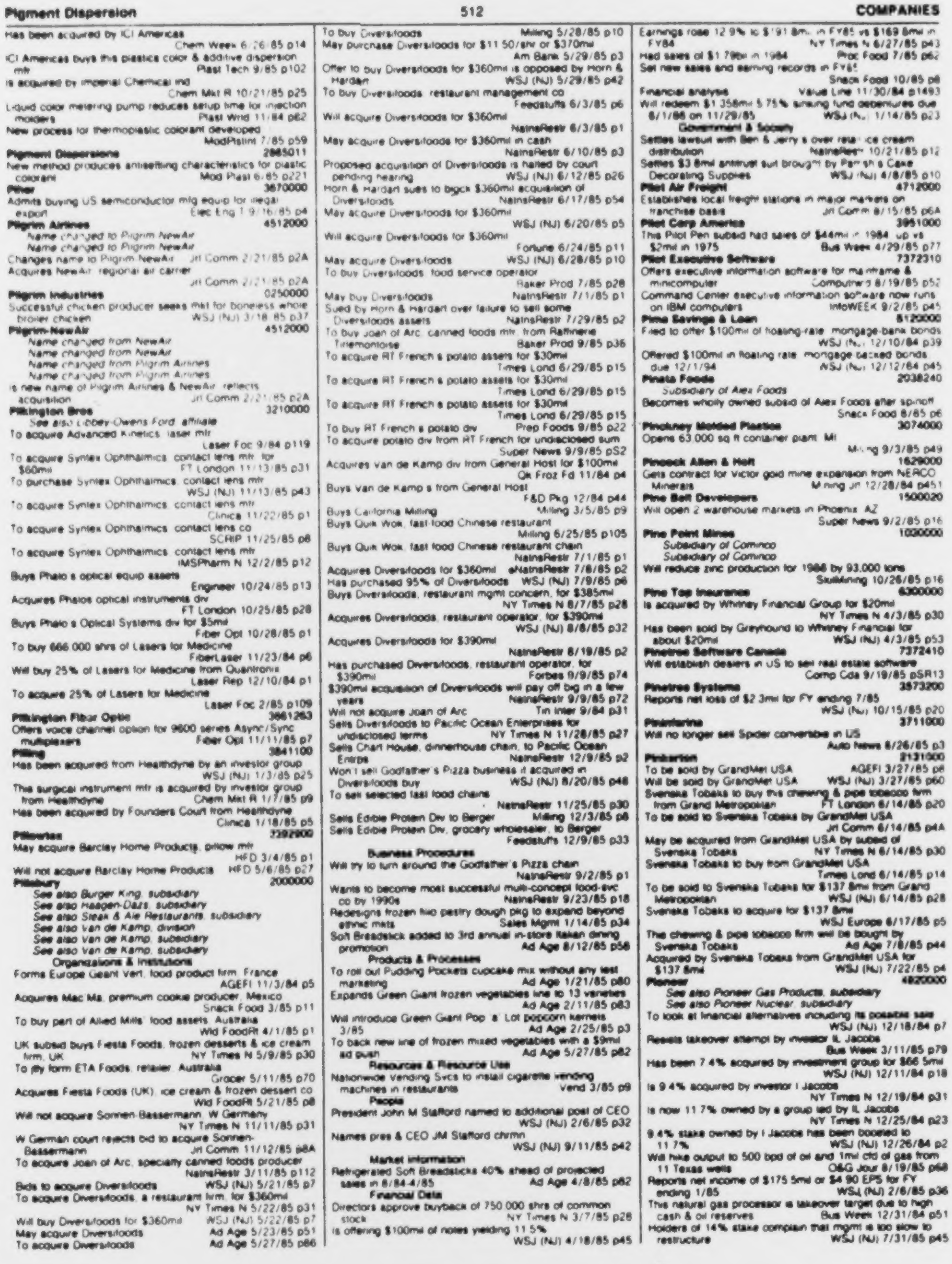

Pigment Dispersion 512 **COMPANIES**

Has been acquired by ICI Americas Chem Week 6/26/85 p14
ICI Americas buys this plastics color & additive dispersion mfr Plast Tech 9/85 p102
is acquired by Imperial Chemical Ind Chem Mkt R 10/21/85 p25
Liquid color metering pump reduces setup time for injection molders Plast Wrld 11/84 p62
New process for thermoplastic colorant developed ModPlstInt 7/85 p59

Pigment Dispersions 2865011
New method produces antisettling characteristics for plastic colorant Mod Plast 6/85 p221

Piher 3670000
Admits buying US semiconductor mfg equip for illegal export Elec Eng T 9/16/85 p4

Pilgrim Airlines 4512000
Name changed to Pilgrim NewAir
Name changed to Pilgrim NewAir
Changes name to Pilgrim NewAir Jrl Comm 2/21/85 p2A
Acquires NewAir, regional air carrier Jrl Comm 2/21/85 p2A

Pilgrim Industries 0250000
Successful chicken producer seeks mkt for boneless whole broiler chicken WSJ (NJ) 3/18/85 p37

Pilgrim-NewAir 4512000
Name changed from NewAir
Name changed from NewAir
Name changed from Pilgrim Airlines
Name changed from Pilgrim Airlines
is new name of Pilgrim Airlines & NewAir, reflects acquisition Jrl Comm 2/21/85 p2A

Pilkington Bros 3210000
See also Libbey-Owens-Ford, affiliate
To acquire Advanced Kinetics, laser mfr Laser Foc 9/84 p119
To acquire Syntex Ophthalmics, contact lens mfr, for $60mil FT London 11/13/85 p31
To purchase Syntex Ophthalmics, contact lens mfr WSJ (NJ) 11/13/85 p43
To acquire Syntex Ophthalmics, contact lens mfr Clinica 11/22/85 p1
To acquire Syntex Ophthalmics, contact lens co SCRIP 11/25/85 p8
To acquire Syntex Ophthalmics, contact lens mfr IMSPharm N 12/2/85 p12
Buys Phalo's optical equip assets Engineer 10/24/85 p13
Acquires Phalos optical instruments div FT London 10/25/85 p28
Buys Phalo's Optical Systems div for $5mil Fiber Opt 10/28/85 p1
To buy 666,000 shrs of Lasers for Medicine FiberLaser 11/23/84 p6
Will buy 25% of Lasers for Medicine from Quantronix Laser Rep 12/10/84 p1
To acquire 25% of Lasers for Medicine Laser Foc 2/85 p109

Pilkington Fiber Optic 3661263
Offers voice channel option for 9600 series Async/Sync multiplexers Fiber Opt 11/11/85 p7

Pilling 3841100
Has been acquired from Healthdyne by an investor group WSJ (NJ) 1/3/85 p25
This surgical instrument mfr is acquired by investor group from Healthdyne Chem Mkt R 1/7/85 p9
Has been acquired by Founders Court from Healthdyne Clinica 1/18/85 p5

Pillowtex 2392900
May acquire Barclay Home Products, pillow mfr HFD 3/4/85 p1
Will not acquire Barclay Home Products HFD 5/6/85 p27

Pillsbury 2000000
See also Burger King, subsidiary
See also Haagen-Dazs, subsidiary
See also Steak & Ale Restaurants, subsidiary
See also Van de Kamp, division
See also Van de Kamp, subsidiary
See also Van de Kamp, subsidiary

Organizations & Institutions
Forms Europe Geant Vert, food product firm, France AGEFI 11/3/84 p5
Acquires Mac Ma, premium cookie producer, Mexico Snack Food 3/85 p11
To buy part of Allied Mills' food assets, Australia Wld FoodRt 4/1/85 p1
UK subsid buys Fiesta Foods, frozen desserts & ice cream firm, UK NY Times N 5/9/85 p30
To jtly form ETA Foods, retailer, Australia Grocer 5/11/85 p70
Acquires Fiesta Foods (UK), ice cream & frozen dessert co Wld FoodRt 5/21/85 p8
Will not acquire Sonnen-Bassermann, W Germany NY Times N 11/11/85 p31
W German court rejects bid to acquire Sonnen-Bassermann Jrl Comm 11/12/85 p8A
To acquire Joan of Arc, specialty canned foods producer NatnsRestr 3/11/85 p112
Bids to acquire Diversifoods WSJ (NJ) 5/21/85 p7
To acquire Diversifoods, a restaurant firm, for $360mil NY Times N 5/22/85 p31
Will buy Diversifoods for $360mil WSJ (NJ) 5/22/85 p7
May acquire Diversifoods Ad Age 5/23/85 p51
To acquire Diversifoods Ad Age 5/27/85 p86
To buy Diversifoods Milling 5/28/85 p10
May purchase Diversifoods for $11.50/shr or $370mil Am Bank 5/29/85 p3
Offer to buy Diversifoods for $360mil is opposed by Horn & Hardart WSJ (NJ) 5/29/85 p42
To buy Diversifoods, restaurant management co Feedstuffs 6/3/85 p6
Will acquire Diversifoods for $360mil NatnsRestr 6/3/85 p1
May acquire Diversifoods for $360mil in cash NatnsRestr 6/10/85 p3
Proposed acquisition of Diversifoods is halted by court pending hearing WSJ (NJ) 6/12/85 p26
Horn & Hardart sues to block $360mil acquisition of Diversifoods NatnsRestr 6/17/85 p54
May acquire Diversifoods for $360mil WSJ (NJ) 6/20/85 p5
Will acquire Diversifoods for $360mil Fortune 6/24/85 p11
May acquire Diversifoods WSJ (NJ) 6/28/85 p10
To buy Diversifoods, food service operator Baker Prod 7/85 p28
May buy Diversifoods NatnsRestr 7/1/85 p1
Sued by Horn & Hardart over failure to sell some Diversifoods assets NatnsRestr 7/29/85 p2
To buy Joan of Arc, canned foods mfr, from Raffinerie Tirlemontoise Baker Prod 9/85 p36
To acquire RT French's potato assets for $30mil Times Lond 6/29/85 p15
To acquire RT French's potato assets for $30mil Times Lond 6/29/85 p15
To acquire RT French's potato assets for $30mil Times Lond 6/29/85 p15
To buy RT French's potato div Prep Foods 9/85 p22
To acquire potato div from RT French for undisclosed sum Super News 9/9/85 pS2
Acquires Van de Kamp div from General Host for $100mil Qk Froz Fd 11/84 p4
Buys Van de Kamp's from General Host F&D Pkg 12/84 p44
Buys California Milling Milling 3/5/85 p9
Buys Quik Wok, fast-food Chinese restaurant Milling 6/25/85 p105
Buys Quik Wok, fast food Chinese restaurant chain NatnsRestr 7/1/85 p1
Acquires Diversifoods for $360mil eNatnsRestr 7/8/85 p2
Has purchased 95% of Diversifoods WSJ (NJ) 7/9/85 p6
Buys Diversifoods, restaurant mgmt concern, for $385mil NY Times N 8/7/85 p28
Acquires Diversifoods, restaurant operator, for $390mil WSJ (NJ) 8/8/85 p32
Acquires Diversifoods for $390mil NatnsRestr 8/19/85 p2
Has purchased Diversifoods, restaurant operator, for $390mil Forbes 9/9/85 p74
$390mil acquisition of Diversifoods will pay off big in a few years NatnsRestr 9/9/85 p72
Will not acquire Joan of Arc Tin Inter 9/84 p31
Sells Diversifoods to Pacific Ocean Enterprises for undisclosed terms NY Times N 11/28/85 p27
Sells Chart House, dinnerhouse chain, to Pacific Ocean Entrps NatnsRestr 12/9/85 p2
Won't sell Godfather's Pizza business it acquired in Diversifoods buy WSJ (NJ) 8/20/85 p48
To sell selected fast food chains NatnsRestr 11/25/85 p30
Sells Edible Protein Div to Berger Milling 12/3/85 p8
Sells Edible Protein Div, grocery wholesaler, to Berger Feedstuffs 12/9/85 p33

Business Procedures
Will try to turn around the Godfather's Pizza chain NatnsRestr 9/2/85 p1
Wants to become most successful multi-concept food-svc co by 1990s NatnsRestr 9/23/85 p18
Redesigns frozen filo pastry dough pkg to expand beyond ethnic mkts Sales Mgmt 1/14/85 p34
Soft Breadstick added to 3rd annual in-store Italian dining promotion Ad Age 8/12/85 p58

Products & Processes
To roll out Pudding Pockets cupcake mix without any test marketing Ad Age 1/21/85 p80
Expands Green Giant frozen vegetables line to 13 varieties Ad Age 2/11/85 p83
Will introduce Green Giant Pop 'a' Lot popcorn kernels 3/85 Ad Age 2/25/85 p3
To back new line of frozen mixed vegetables with a $9mil ad push Ad Age 5/27/85 p82

Resources & Resource Use
Nationwide Vending Svcs to install cigarette vending machines in restaurants Vend 3/85 p9

People
President John M Stafford named to additional post of CEO WSJ (NJ) 2/6/85 p32
Names pres & CEO JM Stafford chrmn WSJ (NJ) 9/11/85 p42

Market Information
Refrigerated Soft Breadsticks 40% ahead of projected sales in 8/84-4/85 Ad Age 4/8/85 p82

Financial Data
Directors approve buyback of 750,000 shrs of common stock NY Times N 3/7/85 p28
is offering $100mil of notes yielding 11.5% WSJ (NJ) 4/18/85 p45
Earnings rose 12.9% to $191.8mil in FY85 vs $169.8mil in FY84 NY Times N 6/27/85 p43
Had sales of $1.79bil in 1984 Proc Food 7/85 p62
Set new sales and earning records in FY85 Snack Food 10/85 p8
Financial analysis Value Line 11/30/84 p1493
Will redeem $1.358mil 5.75% sinking fund debentures due 8/1/88 on 11/29/85 WSJ (NJ) 1/14/85 p23

Government & Society
Settles lawsuit with Ben & Jerry's over retail ice cream distribution NatnsRestr 10/21/85 p12
Settles $3.8mil antitrust suit brought by Parrish's Cake Decorating Supplies WSJ (NJ) 4/8/85 p10

Pilot Air Freight 4712000
Establishes local freight stations in major markets on franchise basis Jrl Comm 8/15/85 p6A

Pilot Corp America 3951000
This Pilot Pen subsid had sales of $44mil in 1984, up vs $2mil in 1975 Bus Week 4/29/85 p77

Pilot Executive Software 7372310
Offers executive information software for mainframe & minicomputer Computrwd 8/19/85 p52
Command Center executive information software now runs on IBM computers InfoWEEK 9/2/85 p45

Pima Savings & Loan 6120000
Filed to offer $100mil of floating-rate, mortgage-bank bonds WSJ (NJ) 12/10/84 p39
Offered $100mil in floating rate, mortgage-backed bonds due 12/1/94 WSJ (NJ) 12/12/84 p45

Pinata Foods 2038240
Subsidiary of Alex Foods
Becomes wholly owned subsid of Alex Foods after spinoff Snack Food 8/85 p6

Pinckney Molded Plastics 3074000
Opens 63,000 sq ft container plant, MI Milling 9/3/85 p49

Pinnock Allen & Holt 1629000
Gets contract for Victor gold mine expansion from NERCO Minerals Mining Jrl 12/28/84 p451

Pine Belt Developers 1500020
Will open 2 warehouse markets in Phoenix, AZ Super News 9/2/85 p16

Pine Point Mines 1030000
Subsidiary of Cominco
Subsidiary of Cominco
Will reduce zinc production for 1986 by 93,000 tons SkillMining 10/26/85 p16

Pine Top Insurance 6300000
Is acquired by Whitney Financial Group for $20mil NY Times N 4/3/85 p30
Has been sold by Greyhound to Whitney Financial for about $20mil WSJ (NJ) 4/3/85 p53

Pinetree Software Canada 7372410
Will establish dealers in US to sell real estate software Comp Cda 9/19/85 pSR13

Pinetree Systems 3573200
Reports net loss of $2.3mil for FY ending 7/85 WSJ (NJ) 10/15/85 p20

Pininfarina 3711000
Will no longer sell Spider convertible in US Auto News 8/26/85 p3

Pinkerton 2131000
To be sold by GrandMet USA AGEFI 3/27/85 p8
Will be sold by GrandMet USA WSJ (NJ) 3/27/85 p60
Svenska Tobaks to buy this chewing & pipe tobacco firm from Grand Metropolitan FT London 6/14/85 p20
To be sold to Svenska Tobaks by GrandMet USA Jrl Comm 6/14/85 p4A
May be acquired from GrandMet USA by subsid of Svenska Tobaks NY Times N 6/14/85 p30
Svenska Tobaks to buy from GrandMet USA Times Lond 6/14/85 p14
To be sold to Svenska Tobaks for $137.8mil from Grand Metropolitan WSJ (NJ) 6/14/85 p28
Svenska Tobaks to acquire for $137.8mil WSJ Europe 6/17/85 p5
The chewing & pipe tobacco firm will be bought by Svenska Tobaks Ad Age 7/8/85 p44
Acquired by Svenska Tobaks from GrandMet USA for $137.8mil WSJ (NJ) 7/22/85 p4

Pioneer 4820000
See also Pioneer Gas Products, subsidiary
See also Pioneer Nuclear, subsidiary
To look at financial alternatives including its possible sale WSJ (NJ) 12/18/84 p7
Resists takeover attempt by investor IL Jacobs Bus Week 3/11/85 p79
Has been 7.4% acquired by investment group for $66.5mil WSJ (NJ) 12/11/84 p18
Is 9.4% acquired by investor I Jacobs NY Times N 12/19/84 p31
Is now 11.7% owned by a group led by IL Jacobs NY Times N 12/25/84 p23
9.4% stake owned by I Jacobs has been boosted to 11.7% WSJ (NJ) 12/26/84 p2
Will hike output to 500 bpd of oil and 1mil cfd of gas from 11 Texas wells O&G Jour 8/19/85 p68
Reports net income of $175.5mil or $4.90 EPS for FY ending 1/85 WSJ (NJ) 2/6/85 p36
This natural gas processor is takeover target due to high cash & oil reserves Bus Week 12/31/84 p51
Holders of 14% stake complain that mgmt is too slow to restructure WSJ (NJ) 7/31/85 p45

Predicasts Forecasts, 1985 Annual Edition, p. 512. Cleveland, OH. Reprinted with permission.

Finance and Accounting

Accountants' Index**
Accounting Articles
Banking Literature Index
Fed in Print
FINIS: Financial Industry Information Service*
Index to Bank Letters
Insurance Abstracts*
Insurance Periodicals Index

Marketing and Advertising

Adtrack*
Advertising and Marketing Intelligence*
Management and Advertising Reference Service (MARS)*
Topicator

Personnel and Labor Relations

Personnel Literature
Personnel Management Abstracts
Work Related Abstracts

Specific Industries

Aerospace/Defense Markets and Technology*
Agribusiness USA*
Biobusiness*
Chemical Industry Notes*
Computer Database*
Reference Point: Food Industry Abstracts
Pharmaceutical News Index*

General Indexes

Applied Science and Technology Index**
Journal of Economic Literature**
Magazine Index**
National Newspaper Index**
New York Times Index**
Readers' Guide to Periodical Literature**
Social Sciences Index**
Social Sciences Citation Index**

* Available as On-line Data Base Only
** Also available On-line

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STATISTICS SOURCES, Tenth Edition

COCOS (KEELING)ISLANDS—POPULATIONS—VITAL STATISTICS RATES
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook," section on Population—Vital statistics rates

World Health Organization, Office of Publications, Geneva, Switzerland; "World Health Statistics: Vital Statistics and Causes of Death."

COCOS (KEELING) ISLANDS—PRICES
Food and Agricultural Organization of the United Nations (FAO), Via delle Terme di Caracalla, 00100 Rome, Italy; "Production Yearbook."

COCOS (KEELING) ISLANDS—VITAL STATISTICS RATES
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook," section on Population—Vital statistics rates.

World Health Organization, Office of Publications, Geneva, Switzerland; "World Health Statistics: Vital Statistics and Causes of Death."

COD
U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Climatic Data Center, Federal Building, Asheville, North Carolina 28801; annual reports, "Fishery Statistics of the United States" and "Fisheries of the United [illegible]es."

COFFEE—CONSUMPTION
U.S. Department of Agriculture, Economic Research Service, Fourteenth Street and Independence Avenue, SW, Washington, D.C. 20250; "Food Consumption, Prices and Expenditures," December 1983, and unpublished data.

COFFEE—FOREIGN TRADE
U.S. Department of Commerce, Bureau of the Census, Suitland, Maryland 20233; quarterly report, "Foreign Commerce and Navigation of the United States, "Summary of Foreign Commerce of the United States," "Highlights of United States Export and Import Trade," and unpublished data.

U.S. Department of Commerce, International Trade Administration, Fourteenth Street between Constitution Avenue and E Street NW, Washington, D.C. 20230; annual report, "Overseas Business Reports, United States Foreign Trade."

COFFEE—PRICES
U.S. Department of Commerce, Bureau of the Census, Suitland, Maryland 20233; annual reports, "United States Exports, Schedule B Commodity, By Country," and "United States Imports for Consumption and General Imports, TSUSA Commodity by Country."

U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. 20212; monthly and annual reports, "Producer Prices and Price Indexes."

COFFEE—WORLD PRODUCTION
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook," and "Monthly Bulletin of Statistics."

COFFEE MAKERS, AUTOMATIC
Gralia Publications, Incorporated, 1515 Broadway, New York, New York 10036; annual report, "Merchandising."

COINS
U.S. Department of the Treasury, Fifteenth Street and Pennsylvania Avenue, NW, Washington, D.C. 20220: "Monthly Statement of the United States Currency and Coin," "Treasury Bulletin," and unpublished data.

COKE—See also COAL

COKE
U.S. Department of Energy, Energy Information Administration, Washington, D.C. 20585; annual report, "Petroleum Supply Annual."

U.S. Department of the Interior, Bureau of Mines, C Street between Eighteenth and Nineteenth Streets, NW, Washington, D.C. 20240; "Minerals Yearbook."

COKE—CAR LOADINGS AND FREIGHT CARRIED
Association of American Railroads, Car Service Division, 1920 L Street, NW, Washington, D.C. 20036; annual report, "Cars of Revenue Freight Loaded."

STATISTICS SOURCES, Tenth Edition

COKE OVENS—MEN EMPLOYED
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. 20212; "Employment and Earnings, United States 1909-1978," and "Supplement to Employment and Earnings, Revised Establishment Data," July 1984.

COLLECTIVE BARGAINING SETTLEMENTS
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C. 20212; monthly report, "Current Wage Developments."

COLLEGES AND UNIVERSITIES—See EDUCATION—HIGHER EDUCATION INSTITUTIONS

Colombia—National Statistical Office
Departmento Admnistrativo Nacional de Estadistica, CAN Avenida Eldorado, Bogota DE, Colombia

Colombia—Primary Statistics Source
Dane, Via El Dorado, Bogota, Colombia; "Annuario general de estadistics (General Statistical Yearbook); and "Boletin mensual de estadistica" (Monthly Bulletin of Statistics).

COLOMBIA—AGRICULTURAL EXPORTS
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook for Latin America."

COLOMBIA—AGRICULTURAL IMPLEMENTS AND MACHINERY
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook," section on Agriculture—Tractors in use.

COLOMBIA—AGRICULTURAL PRODUCTION
Euromonitor Publications Limited, 87-88 Turnmill Street, London EC1M5QU, England; "International Marketing Data and Statistics."

Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook for Latin America."

COLOMBIA—AGRICULTURAL PRODUCTION—BY PRODUCT
Food and Agricultural Organization of the United Nations (FAO), Via delle Terme di Caracalla, 00100 Rome, Italy; "Production Yearbook."

U.C.L.A. Latin American Center Publications, University of California, Los Angeles, California 90024; "Statistical Abstract of Latin America."

COLOMBIA—AGRICULTURAL PRODUCTION—INDEX
Statistical Office of the United Nations, Publishing Service, New York, New York 10017; "Statistical Yearbook," section on Agriculture—index numbers of agricultural production.

COLOMBIA—AGRICULTURAL TRADE—BY PRODUCT
Food and Agricultural Organization of the United Nations (FAO) Via delle Terme di Caracalla, 00100, Rome, Italy; "Trade Yearbook."

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Department of Labor

BUREAU OF LABOR STATISTICS: PRODUCTIVITY AND TECHNOLOGY

Current Periodicals

6822-1 PRODUCTIVITY AND COSTS Nonfinancial Corporate Sector

Quarterly, Approx
10p. ASI/MF/3

Quarterly press release providing preliminary data on labor productivity and costs for nonfinancial corporations. Release is issued 2-3 months after quarter covered. Also includes revised figures for the total business, nonfarm business, and manufacturing sectors for the same period.

Contents: brief analysis with 3-4 summary tables; and 6 detailed tables, listed below.

Release for 4th quarter contains revised annual data.

Issues covered during 1983: 4th Qtr. 1982-3rd Qtr. 1983 (D)

TABLES:

[Tables show indexes (1977=100), percent change over previous quarter, and percent change over previous year, quarterly for year to date and previous year.]

1. Business sector, all persons: productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted.

2. Nonfarm business sector, all persons: productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted.

3. Manufacturing sector: productivity, hourly compensation, and unit labor cost, seasonally adjusted.

4.-5. Durable and nondurable manufacturing sectors: productivity, hourly compensation, and unit labor cost, seasonally adjusted.

6. Nonfinancial corporations: productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted.

6822-2 PRODUCTIVITY AND COSTS, Private Business, Nonfarm Business, and Manufacturing Sectors

Quarterly, Approx. 15p.
ASI/MF/3

Quarterly press release providing preliminary data on labor productivity and costs for the total business sector, including durable and nondurable manufacturing. Also includes revised data for the nonfinancial corporate sector for the current and previous quarters. Publication is approximately 1 month after quarter covered.

Contents: brief analysis with 2 summary tables; and 6 detailed tables, listed below.

Release for 2nd quarter 1983 includes 6 appendix tables presenting revised 1980-81 data.

Issues covered during 1983: 4th Qtr. 1982—3rd Qtr. 1983 (D).

TABLES:

[Tables show indexes (1977=100) and percent change from previous quarter, quarterly for year to date and previous year.]

1. Business sector, all persons: productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted.

2. Nonfarm business sector, all persons: productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted.

3. Manufacturing sector: productivity, hourly compensation, unit labor cost, seasonally adjusted.

4.-5. Durable and nondurable manufacturing sector: productivity, hourly compensation, unit labor cost, seasonally adjusted.

6. Nonfinancial corporations: productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted.

6824
BUREAU OF LABOR STATISTICS: PRODUCTIVITY AND TECHNOLOGY

Annuals and Biennials

6824-2 TRENDS IN MULTIFACTOR PRODUCTIVITY, 1948-81

Annual. Sept. 1983.
viii+80p. BLS Bull. 2178.
•Item 768-A-1. GPO $4.50
ASI/MF/3
S/N 029-001-02758-3.
•L.2.3.2178 LC 83-18835

First annual report, for 1981, presenting indexes of multifactor productivity. Multifactor productivity indexes measure changes in output per unit of combined labor and capital inputs. Data are derived from statistics compiled by BLS, BEA, Federal Reserve, and USDA.

Contents: narrative report with 9 charts and 15 tables, listed below (p. 1-32); and appendices with 6 charts and 47 tables showing assumptions and input data (p. 33-80)

A preliminary press release was received in May 1983 and is also available on ASI microfiche under this number [Apr. 6, 1983. 15 p. USDL 83-153 ASI/MF/3].

TABLES:

[Base year for indexes in 1977.]

6824-2.1: Output per Hour of All Persons in the Business Sector

1. Rates of growth in output per hour of all persons between business cycle peaks in the business and nonfarm business sectors, 4th quarter 1948—3rd quarter 1981. (p. 9)

2. Rates of growth in output per hour of all persons, output, and hours by major sector, [various periods] 1948-81. (p. 9)

3. [Indexes of] output per hour, output, and hours of all persons by major sector, annual and quarterly, 1947-82. (p. 12)

4. [Indexes of] output per hour, output, and hours in the total private sector, 1909-82. (p. 15)

6824-2.2: Multifactor Productivity in the Private Business Sector

5. Rates of growth in output per hour of all persons, capital per hour, the contribution of capital, and multifactor productivity by major sector, [various

periods] 1948-81. (p.20)

6. Labor and capital shares of total income by major sector, 1948-81. (p. 20)

7. Relationship between changes in rates of growth in capital services per hour and changes in relative factor prices in the private business sector, [selected periods] 1948-81. (p. 21)

8.-10. Private business, private nonfarm business, and manufacturing sector: productivity and related measures [indexes of output per hour, capital per hour, and hours of all persons; output per unit of capital; multifactor productivity; output: capital; and combined labor and capital inputs]. 1948-81. (p. 22-24)

6824-2.3: Sources of Change in Multifactor Productivity

11. Contribution of intersectoral shifts in labor to rates of growth in multifactor productivity in the private business sector, [various periods] 1948-81. (p. 25)

12. Percent distribution of the labor force by years of school completed, by sex, 1948, 1973, and 1981. (p. 26)

13. Adjustments to hours measures for changes in composition of labor input [various periods 1948-81]. (p. 26)

14. Rates of growth in multifactor productivity in manufacturing, unadjusted and adjusted for utilization of physical capital, [selected periods] 1948-81. (p. 28)

15. Rates of growth in the ratio of hours at work to hours paid, private nonfarm business and manufacturing sectors, selected periods, 1952-81. (p. 31)

6826
BUREAU OF LABOR STATISTICS: PRODUCTIVITY AND TECHNOLOGY
Publications in Series

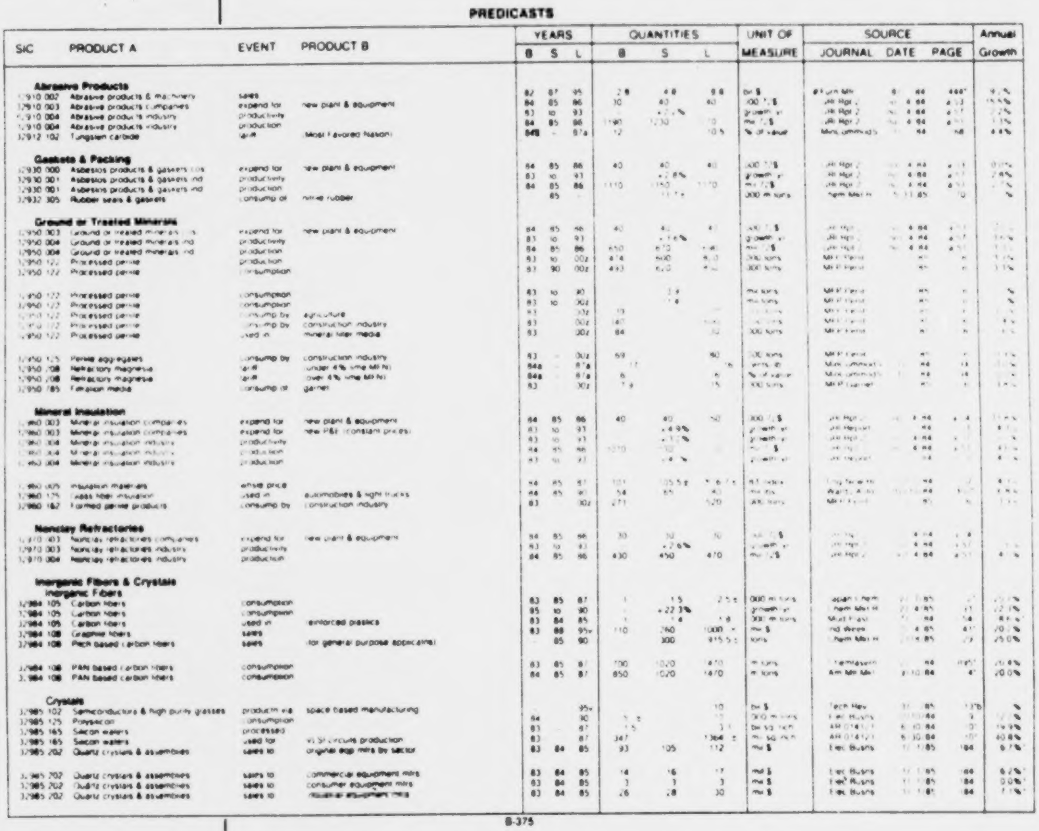
6826-1 LABOR AND MATERIAL REQUIREMENTS FOR CONSTRUCTION

•Item 768-A-1.
GPO; for individual bibiographic data, see below.
•L.2.3: (nos.)

Continuing series of reports on labor and materials required for various types of construction, prepared to estimate the employment-generating effects of construction activities. Data are based on surveys of representative construction projects in the U.S., exclusive of Alaska and Hawaii.

Reports show average construction employee-hours (on-site labor), cost of materials, and the labor required to produce and distribute these materials (off-site labor) for the U.S. and 4 regions.

American Statistics Index, 1983 Annual Abstracts, p.577. Copyright © 1984 by Congressional Information Service, Inc., Bethseda, MD. All rights reserved. Reprinted with permission.



Predicasts Forecasts, 1985 Annual Edition, p. 512. Cleveland, OH. Reprinted with permission.

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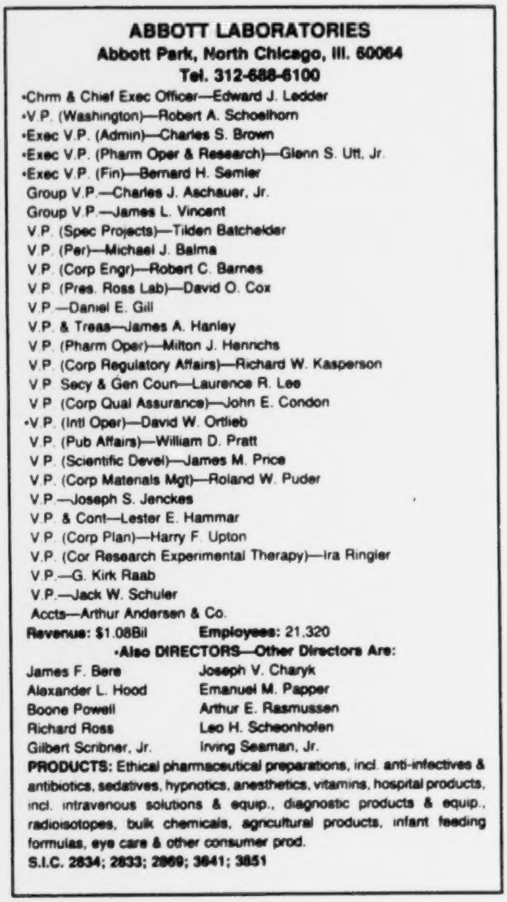
Complete address and phone number

Officers by title and function

Accounting firm

Outside directors

Products and SIC classification



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Standard and Poor's Register.
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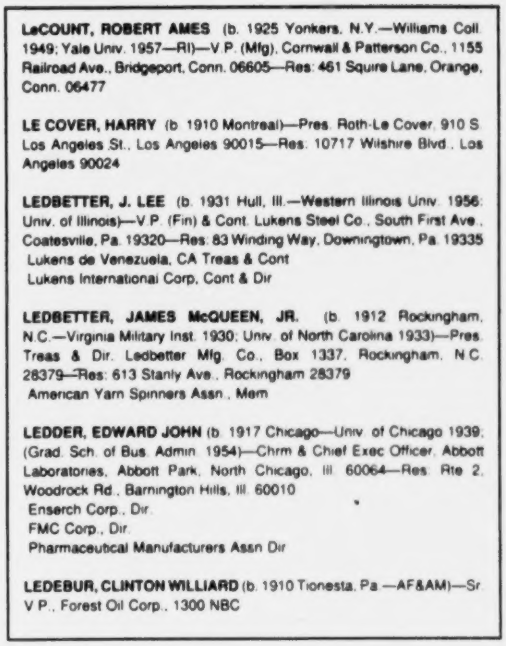

LeCOUNT, ROBERT AMES (b. 1925 Yonkers, N.Y.—Williams Coll. 1949; Yale Univ. 1957—RI)—V.P. (Mfg), Cornwall & Patterson Co., 1155 Railroad Ave., Bridgeport, Conn. 06605—Res: 461 Squire Lane, Orange, Conn. 06477

LE COVER, HARRY (b. 1910 Montreal)—Pres. Roth-Le Cover, 910 S. Los Angeles St., Los Angeles 90015—Res: 10717 Wilshire Blvd., Los Angeles 90024

LEDBETTER, J. LEE (b. 1931 Hull, Ill.—Western Illinois Univ. 1956; Univ. of Illinois)—V.P. (Fin) & Cont. Lukens Steel Co., South First Ave., Coatesville, Pa. 19320—Res: 83 Winding Way, Downingtown, Pa. 19335
Lukens de Venezuela, CA Treas & Cont
Lukens International Corp. Cont & Dir

LEDBETTER, JAMES McQUEEN, JR. (b. 1912 Rockingham, N.C.—Virginia Military Inst. 1930; Univ. of North Carolina 1933)—Pres. Treas & Dir. Ledbetter Mfg. Co., Box 1337, Rockingham, N.C. 28379—Res: 613 Stanly Ave., Rockingham 28379
American Yarn Spinners Assn., Mem

LEDDER, EDWARD JOHN (b. 1917 Chicago—Univ. of Chicago 1939; (Grad. Sch. of Bus. Admin. 1954)—Chrm & Chief Exec Officer, Abbott Laboratories, Abbott Park, North Chicago, Ill. 60064—Res: Rte 2, Woodrock Rd., Barrington Hills, Ill. 60010
Enserch Corp., Dir.
FMC Corp., Dir.
Pharmaceutical Manufacturers Assn Dir

LEDEBUR, CLINTON WILLIARD (b. 1910 Tionesta, Pa.—AF&AM)—Sr. V.P., Forest Oil Corp., 1300 NBC

Biography of top officers lists place and date of birth, college or university attended, business and me address, title, utside directorships, fraternal groups

Dewey Decimal Card

Merchandise buyer—merchandise manager

658.8
Ins   Institute for Research.
Merchandise buyer—merchandise manager : a retailing occupation / Institute for Research. -- Chicago : Institute for Research, 1977.
24 p. : ill ; 28 cm. -- (Research no. 78)

1. Retail trade--Vocational guidance.
I. Title

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ACTIVITY
SHEET 1

BUSINESS RESOURCES

III

OBJECTIVE 6

Use a business directory to identify companies that **manufacture products similar to yours.**

INTRODUCTION

Most businesses can benefit from knowing more about competitors in their area. Knowing what is or is not manufactured by other businesses similar to yours can assist you in planning for future needs or changes in your own business.

DIRECTIONS

Using a directory for your particular type business, list three companies in your state that manufacture products similar to those you manufacture, sell, or use in your business. (Supplements 4-5)

1. ____________________

2. ____________________

3. ____________________

BUSINESS RESOURCES

OBJECTIVE 7 **Locate suppliers for your business.**

INTRODUCTION A business needs certain items or products which it does not produce and must go outside to obtain. Knowing where these items are available when needed at a price the business can pay for the quantity it needs will help the business to succeed. This supply source can change from time to time for many reasons.

DIRECTIONS Using the *Thomas Register of American Manufacturers* products and services section, locate manufacturers for a specific product needed by your company. List the nearest vendor of the product and one other listing that is out of your geographic area.

1. Local supplier — ______________________________

____

____

2. Other supplier — ______________________________

____

____

ACTIVITY SHEET 3 — BUSINESS RESOURCES

OBJECTIVE 8

Use a local or state business directory to list service and product suppliers for your business.

INTRODUCTION

Though needs of any business will vary, every business will deal with other businesses in the process of its own operation. It will expedite these dealings to list those businesses most often dealt with and the product or service they supply. If more than one business is used for a product or service, list both or all of them.

DIRECTIONS

Using a local or state business directory, often available through the Chambers of Commerce or local newspapers, list at least six possible businesses you will deal with in your business. Accountants or tax consultants, local suppliers of needed goods and services, and sources of advertising or marketing for your products should be on this list.

List the name of the business and what your company needs from it.

BUSINESS SERVICE OR PRODUCT

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

BUSINESS RESOURCES

OBJECTIVE 9

Use a trade directory to locate publications of interest and trade association information related to your business.

INTRODUCTION

To stay informed in business will involve reading current material in journals or magazines that can keep you up-to-date on advances in your particular area of business. Staying informed of activities through a trade association will also aid you in business.

DIRECTIONS

Using a trade directory for your business type such as the *National Trade and Professional Association Directory*, (Call number 650.6), an annual indexed by subject and key word, locate two publications your business would find of value. Also note the address and membership information for trade associations common to your business. Write for information about upcoming trade shows and conventions in your locale.

Two publications:

1. ______________________________

2. ______________________________

Trade association(s) and addresses:

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

ACTIVITY SHEET 5 BUSINESS RESOURCES

OBJECTIVE 10 **Use *The Statement Studies*, "averages" to compare research on your business.**

INTRODUCTION To plan successfully, a business needs to be able to make accurate. projections about finances. It is often helpful to compare the figures you show with actual figures of another similar business to see if you have overlooked or miscalculated in any area.

DIRECTIONS Using *The Statement Studies*, an annual publication by Robert Morris and Associates, a national association of bank loan and credit officers, locate three similar types of businesses and show the "averages" of income, expense, assets and liabilities in comparison to estimates or projections for your own business.

Business	Morris' "averages"	Your estimates

ACTIVITY SHEET 6

BUSINESS RESOURCES

OBJECTIVE 11

Use the *Sourcebook of Demographics and Buying Power* or the *Predicast F & S Index United States* to locate purchasing-potential profiles.

INTRODUCTION

Much material is available to the business person willing to put some time into finding out demographic information about their city or potential client population. Reference material can point out how much money is spent on the service or products your business sells in a given location or even by a certain group of people.

DIRECTIONS

Using the *Sourcebook of Demographics and Buying Power* (Call number 312.097, 305), or the *Predicasts F & S Index United States* (Call number 016.332), locate the housing profile for your area and list the information on age and income. Then using the purchasing potential profile (again for your area), determine the purchasing potential profile (again for your area), determine the amount of money spent in your county on services or goods similar to those provided or produced by your business. (Supplements 5-8)

NOTE: Demographics involves the study of human population and reveals patterns and their possible impact on social or economic considerations. The *Sourcebook* shows demographic information compiled by zip code and in a separate edition by county.

BUSINESS RESOURCES

OBJECTIVE 12

Complete a marketing research activity for your business.

INTRODUCTION

Your business can benefit from knowing more about how potential customers spend their money, especially how those customers spend money for the service or product your business markets.

DIRECTIONS

First determine if your business is service or product oriented. Then choose one of the following marketing activities according to your business. Section A is for industry or product related businesses and Section B is for businesses that are consumer or service oriented. If you offer both service and products, you may want to do both Section A and Section B.

A. Using the *Economic Census*, the *Survey of Industrial and Commercial Buying Power*, or a similar source, find the retail sales for your county for the product your business retails.

B. Using *U.S. Regional Projections: Population, Employment and Income*, produced by the National Planning Association, find the amount of income per household spent on your service or a similar service.

A. ______________________________

B. ______________________________

ACTIVITY ANSWERS

BUSINESS RESOURCES *III*

ACTIVITY SHEET 1	Check that clients have chosen companies that manufacture products that are similar to those they manufacture, sell, or use in their businesses. Check that three companies in the state have been listed.
ACTIVITY SHEET 2	Check that clients have listed a local and a non-local vendor for a product their business needs.
ACTIVITY SHEET 3	Check the directory clients are using and the types of businesses they list. Make sure they have listed the business and the service or product they need from each business listed.
ACTIVITY SHEET 4	Check that each client has listed two publications. Check that clients have listed at least four trade associations and addresses. Help clients who can only find one or two associations to look under other areas for cross references of related associations.
ACTIVITY SHEET 5	Check that clients have listed "averages" and their own estimates.
ACTIVITY SHEET 6	Check that clients have listed information from the housing profile age and income. Check that purchasing profile information has been listed for each client according to their business' service or product. Check supplements 6-9 for accuracy of information.
ACTIVITY SHEET 7	Check that clients have listed appropriate information depending on whether their business is service or product oriented.

OBJECTIVE SHEET

THE BUSINESS PLAN IV

INTRODUCTION

Obtaining financing can be the hardest part of running a business. Even if the entrepreneur has a profitable idea, lack of financing will cause the idea to be dropped before it even begins. In order to receive funds from lending institutions, an entrepreneur must first submit a business plan. This enables the lender to determine the relative risk involved. A good business plan will open many doors for the motivated entrepreneur.

As you complete your training program, you will have background information and activities that will enable you to complete your business plan. For example, when you complete your financial statements in Unit XIII, and identify the kinds of insurance you need in Unit XVI, you will have the information and actual reports for your business plan.

UNIT OBJECTIVE

After completing this unit, the client should be familiar with the general form of the business plan and be able to compose one. The client will demonstrate this competency by preparing a business plan during the course of this seminar.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with writing a business plan.
2. Discuss how the business plan helps the business it represents.
3. Describe the components of the business plan.
4. Discuss areas that need to be covered when obtaining financing for a business.
5. Discuss how size affects the operation of a business as well as its business plan.
6. Compile data for your business plan. (Activity Sheet 1)
7. Write your business plan. (Activity Sheet 2)

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide which objectives should be taught to which clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a local financial institution officer to speak to the class about the importance of a business plan when obtaining financing.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also, provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and service businesses and any additional information that would be useful for the speaker and the topic.

- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing into groups or teams.

DELIVERY

Objective 1 Define terms associated with writing a business plan.

- Discuss terms with the class.
- Point out that a good business image is essential to good market position and future goodwill.

Objective 2 **Discuss how the business plan helps the business it represents.**

- Note that there is a two-dimensional benefit from the business plan: external (financing) and internal (definition of goals).

Objective 3 **Describe the components of the business plan.**

- Note that the whole planning process is goal-oriented.
- Stress the importance of periodic reassessment of the business plan.
- Stress that the business plan is not strictly to gain capital.
- Note that the plan begins with goal setting and ends with financial position.

Objective 4 **Discuss areas that need to be covered when obtaining financing for a business.**

- Go over the list of items and discuss any particular needs of the clients.

Objective 5 **Discuss how size affects the operation of a business as well as its business plan**

- Emphasize the need to revise as your company increases in size.

APPLICATION

Objective 6 **Compile data for your business plan.** (Activity Sheet 1)

- Explain to the clients how they must refer back to this activity sheet after completing each unit.

Objective 7 **Write your business plan.** (Activity Sheet 2)

- Use the activity sheet to help the clients begin their business plan.
- Provide software in order to assist in writing the business plan.

SUGGESTED RESOURCES

Media

- "Business Planning," Upstart Publishing Company, Inc., 12 Portland, St. Dover, NH 03820, phone 1-800-235-8866.
- "The Business Plan, Your Map for Success," The Success Series, SBA and Beel Atlantic, Small Business Video Library, P.O. Box 908, Arlington, VA 22216.

NOTE: These films are available to Oklahoma teachers on a free-loan basis. Oklahoma teachers may order these films from the Curriculum and Instructional Materials Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order these films direct from the company.

Software and Publications

- Charles K. Stone, DBA, Fred L. Fry, Ph.D., *Strategic Planning in the Small Business*, South-Western Publishing Co., 1987.
- William Oncken, Jr., *Managing Management Time*. Prentice Hall, Inc., 1984.
- "Bizplan Builder" (works with Wordperfect or Lotus) Tools for Sales, Los Altos Hills, CA
- "Venture-The Entrepreneur's Handbook" Star Software Systems, 363 Van Ness Way, Torrance, CA 90501

UNIT REFERENCES

- Oncuen, William, Jr., *Managing Management Time*, Prentice Hall, Inc., 1984.
- *Supervision: Concepts and Practices of Management*, South-Western Publishing Co., Cincinnati, Ohio, 1982.
- Fry, Fred L., *Strategic Planning in the Small Business*. South-Western publishing Co., Cincinnati, Ohio, 1987.

THE BUSINESS PLAN

OBJECTIVE 1

Define terms associated with writing a business plan.

- **Business image** — The way the community perceives your business
- **Business plan** — Comprehensive plan for relating all facets of a business operation
- **Capital** — Fixed assets of a company that are used to perform services or provide products the firm produces
- **Demand** — The amount of product or service the community is willing to purchase from the firm
- **Fixed assets** — Assets that will not be retired in the current year
- **Fixed liabilities** — Liabilities that will not be retired within the current year
- **Franchise** — A contract between a founding firm and another firm that allows the newer firm to sell a product identical to the founding firm's product
- **Franchisee** — The company that is allowed to sell a product identical to another firm's product
- **Franchiser** — The company that allows another to sell a product identical to it's own product
- **Free enterprise** — An economic system that is based on individual incentive and markets
- **Goodwill** — Also called blue sky, goodwill represents the market valuation of business image
- **Liquidate** — The process whereby assets are converted into cash
- **Management** — Employees, and sometimes owners, who make major business decisions for the firm

- **Market** — A situation whereby people exchange money for the firm's product
- **Merchandise mix** — A combination of products and services offered for sale
- **Net Income** — Revenue of the firm less expenses (excluding taxes)
- **Operating expenses** — Expenses that coincide with the everyday operation of the firm
- **Operating income** — Net income of the firm adjusted for expenses that are not part of operating expenses
- **Trading area** — The area in which the firm has a market for its product
- **Unlimited liability** — A situation whereby the firm is absolutely liable for any debts
- **Working capital** — Current assets less current liabilities

OBJECTIVE 2

Discuss how the business plan helps the business it represents. (Supplement 1)

- The business plan provides information that helps the manager(s) direct the firm.
- The business plan provides the manager(s) with information about the labor, capital and material needs of the firm so optimal managerial decisions can be made.
- The business plan allows the owner(s) to see the risk and profit associated with the business venture. This allows for a greater degree of dedication once the firm gets underway.
- The business plan is essential if the manager wishes to obtain assets through a financial institution.
- The business plan documents the actual value of a firm.
- Both large and small businesses must revise business plans.

OBJECTIVE 3

Describe the components of the business plan. (Supplement 2 and Transparency Master 1)

- **Cover sheet** — Includes the name of the business, address, telephone number, date of the plan and any other information such as logo, trademark, etc.
- **Table of contents** — List of important sections of the business plan that will enable the reader to locate information quickly.
- **Executive summary** — A brief summary of the business plan. Special attention should be paid to the more important sections of the plan that will leave the reader with a good impression of your firm. For example, if you have had increasing sales over the past few years, point it out.
- **Management statement** — A short description of qualifications, experience and any other considerations that indicate that you and your team can run the business successfully.
- **Philosophy statement** — A broad statement about the purpose, directions and beliefs of the business.
- **Description of business and management staff** — A description of the firm in terms of the people that work for it.
- **Description of products or services** — A description of what the firm offers the community.
- **Industry and market overview** — A description of the firm's competition. This includes characteristics of the market, as well as other firms in it.
- **Marketing** — An identification of market segments, assessment of demand, description of area of operation, analysis of the competition, market position, pricing strategy and promotional strategy.
- **Administration** — Includes statements about the personnel, insurance, legal services, bookkeeping and other services the firm will need.

- **Production** — A list of equipment, materials, inventory and personnel needed for production. It also includes statements about quality control, the production process, research and development, and distribution.
- **Finance** — Includes the financial statements of the firm: balance sheet, income forecast and cash flow forecast.
- **Statement of credit/capitalization requirements** — A summary of the sources and uses of start-up capital.

OBJECTIVE 4 **Discuss areas that need to be covered when obtaining financing for a business.**

- All possible financial resources must be considered. These might include personal cash, personal equity, friends and relatives and lending institutions.
- In order to pursue resources form lending institutions, all potential assets of the business must be included as possible collateral. These might include autos, furniture and fixtures, machines, buildings and land.
- **A forecast of income** must be prepared in order to determine the profitability of the business venture for both the owner(s) and any potential lending institutions. This will include sales, cost of goods sold, profit margin, operating expenses, and net income.
- **A forecast of cash flow** must be prepared in order to determine the long-term vitality of the firm, as well as its ability to meet its current liabilities. This involves converting income statements into cash flow statements by removing such items as lag on collections and insurance premiums, as well as depreciation.

  NOTE: This information must be obtained monthly if you are going to pursue financing. Good managers, however, will prepare financial statements more often in order to keep the firm efficient.

OBJECTIVE 5 **Discuss how size affects the operation of a business as well as its business plan.** (Supplement 1)

- Larger businesses will have more planning personnel. They tend to use advertising in order to sell a product they produce.

- Smaller businesses will have few planning personnel. They tend to research customer needs, then produce products that fit those needs.
- Both large and small businesses must revise business plans.

SMALL BUSINESS MANAGEMENT

"Lack of planning need affect only one business activity
to weaken the entire effort of the company."

Failure to plan

Business counselors cite lack of planning as a predominant cause of failure among entrepreneurs. In fact, the failure to plan can be an owner's most devastating business mistake.

Lack of planning need affect only one business activity to weaken the entire effort of the company. For example, the owner of a small manufacturing company had concentrated on designing models of his products and marketing them to wholesalers. Because he was not certain how well the products would sell, he did not plan to manufacture a supply of them. When the products began to sell very well, he could not manufacture them fast enough to keep pace with the wholesaler's demands. Many of his orders were canceled when he could not fill them on time, and he established a poor reputation among both his present and prospective customers. If he had developed a business plan, he probably would have been able to gear into production and fill his wholesaler's demands.

The Formal Plan

Many executives believe they plan because they aspire to "do better next year" or they contemplate activities to undertake "when business improves." But thinking ahead is not planning and, without planning there may be no next year. Planning instead, is a formal system of analysis that:

defines the goals and objectives of an organization

guides the organization's ongoing operations; and

prepares the organization for change.

Well-laid plans allow a business owner to take advantage of opportunities and to cope with setbacks by anticipating them. With a formal business plan, an owner can establish realizable goals and objectives for the company and monitor its progress in meeting them. Goals are a company's long-term purposes; they are generally qualitative. All company activity should contribute to the firm's goals. Objectives are specific targets for company action, with comparatively short time frames. Objectives are always quantifiable and measurable.

To stimulate planning ideas, business owners should analyze the firm's current market position and its strengths and weaknesses. An analysis should include the following questions.

What business am I in?

To answer this question, the business owner must think in terms of consumer needs to be satisfied, rather than in terms of goods or services to be supplied. For example, a company that manufactures razor blades is not in the steel business, nor is it simply in the razor blade business. It is in the fashion and cosmetic business.

Who are my customers? Are these the type of customers I want?

The business owner should define the firm's customers in terms that will enable the company to reach those customers through advertising and promotion. The definition should be based on such characteristics as sex, race, income, publications read and lifestyle.

How well do my products satisfy my customer's needs?

What percentage of the market do I have? What percentage do I want?

What image does my company present to potential customers?

The business owner should define the firm's image in terms appropriate to a practical marketing and sales effort. An image defined as "good" or "bad" is not adequate. An image defined in terms such as "youthful" or "innovative" helps the owner target the firm's customers and develop a marketing plan.

Who are my competitors? What advantages do I have over them?

What are my biggest handicaps? How can I remedy them?

Handicaps may exist in several areas of the business, including capitalization, work force skills, and product quality control.

What is my competition's biggest handicap? How can I exploit it?

What will my industry be like in five or ten years? How will my company remain competitive?

How will I finance growth?

After answering these questions, the owner can progress through six planning stages:

1. Establish the company's goals.
2. Target two or three specific objectives for the firm.
3. Analyze possible strategies for achieving these objectives.
4. Select the course of action and develop action plans. These action plans may require the owner to: (a) allocate current resources—human, material and financial; (b) develop new resources through such means as raising new capital, increasing employee skills and knowledge or buying new equipment; and (c) schedule a realistic timetable.
5. Develop criteria for measuring the firm's progress toward its goals and objectives.
6. Review plans periodically and revise when necessary.

Ideas, questions and proposals should be put in writing at every stage. One expert stresses, "The entrepreneur must overcome the fear of looking foolish or inept and must commit plans to paper." However, long-range plans are not cast in stone. Although experts recommend that the head of a small business draft a two-year (and even a five-year) plan, a company's business plan must be flexible enough to allow the firm to switch gears when it has chosen the wrong path. The owner should review the plan at least every six months to compare objectives with achievements and current projections.

As the business grows, the owner should encourage the participation of key employees in developing company plans. At the very least, the owner should clearly communicate the company's long-range goals to key personnel. However, for a truly vital program, key employees should have a role in formulating these goals.

By establishing specific business goals and objectives, the business owner has accomplished the first stage of the planning process. But in order to carry out the formal business plan, the owner needs an organizational plan and a management succession plan.

The Organizational Plan

A business owner should be constantly alert to weaknesses in the company's chain-of-command. This requires the owner to periodically analyze the structure of the operation and to evaluate the firm's efficiency.

The following example is a completed business plan using a hypothetical company.

Management Statement

Mariner's Catch Seafoods, Inc., is seeking a loan of $36,000 to purchase equipment and inventory; purchase property and building at 801 Fisherman's Harbor Road, Conway, RI; perform necessary renovations and improvements; maintain sufficient cash reserves; and provide adequate working capital to expand an existing wholesale/retail seafood market. This sum, together with the $10,000 equity investment of the principals, will be sufficient to finance transition through the expansion phase so the business can operate at a profit.

Mariner's Catch has two owners/managers. Mr. Swanson was born in Conway and has lived there all his life. After graduating from Conway schools and serving in the U.S. Navy for three years, he became a self-employed fisherman, taking evening courses in small business management and sales at R.I. State, with the ultimate goal of owning and managing a retail store. He also serves as a member of the zoning board for Conway.

Ms. Switzer was born in Milwaukee, Wisconsin, in 1950, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (rank upon separation, E-3). She test-drove motorcycles for a year, then served as Parts Manager for Moped Cycles, Inc., before joining the Cash and Haul Foodstuff, Inc., as a packer in March 1973 in their Kennebunkport, Maine, plant. In June, 1985, she resigned as Line Foreman for the Frozen Foods filleting Department to join Swanson in the Mariner's Catch operation. She lives in Inlet Bay.

Both are healthy and energetic; they believe their abilities compliment each other and will permit them to make Mariner's Catch a success. In particular, Swanson knows all the fishermen while Switzer will be primarily responsible for the development of the wholesale business, and with Swanson, will set policy. Personnel decisions will be made jointly.

Philosophy Statement

Mariner's Catch Seafoods, Inc., will continue to provide premium quality seafoods to both wholesale and retail customers emphasizing the former. Our goal is to provide the freshest seafoods at competitive prices to customers within 25 miles of Conway.

Description of the Business and Management Staff

Mariner's Catch Seafoods, Inc., is a fish market specializing in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. The company began business four years ago and is open seven days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale.

Description of Products or Services

The quality of our seafood is exceptional and, since Mr. Swanson is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest fish.

Industry and Market Overview

Mariner's Catch is currently leasing a one-story, wooden frame building with cement floor (22,000 square feet) at 801 Fisherman's Harbor Road, Conway, Rhode Island, for $175 per month with a option to buy at $22,000. The area is zoned for commercial use. Fisherman's Harbor Road is part of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

At present, 60 percent of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the markup is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel that the latter can be improved by more direct selling. Our customers agree.

There are three seafood operations directly competing with Mariner's Catch Seafood, Inc.

1) Freuhoff's Fish — Scatter operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operations have been marginal.

2) The Kingfish — Clean, three-person operation specializing in cheaper fish. Have trouble with their suppliers because they aren't willing to pay top dockside prices. Otherwise, sell directly to housewives from a fleet of their trucks, and some wholesale trade that they hope to expand. Their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation. Located in Portsmouth.

3) Jonah's Seafoods — Good relations with suppliers, have most of the supermarket trade, no retail trade. Currently rebuilding due to fire, but will be our most serious competition when the new store opens. Twenty-five years of experience in the area, good location on scenic bridge over the Inlet two miles south of Mariner's Catch on tourist route; plan to open retail store and may be willing to give up part of wholesale since the owner is getting on in years.

The indirect competition is from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase from both on a consignment basis.

Marketing

Our market has a total population of over 100,000 people and a potential of 300 wholesale customers. Customers will be attracted by: 1) direct approach to restaurants and market; 2) a local radio and newspaper advertising campaign; 3) word-of-mouth advertising from our current customer base; and 4) our location on a heavily traveled tourist route.

MONTHLY CASH FLOW PROJECTION
MARINER'S CATCH SEAFOODS, INC.
October 19___ to September 19___

		Oct	Nov.	Dec	Jan.	Feb	Mar	Apr	May	June	July	Aug	Sep	Total
Cash Receipts														
Income from sales														
Wholesale		1,000	1,200	1,400	1,600	1,800	2,200	2,400	2,800	3,100	3,100	3,300	3,500	27,400
Retail		3,000	3,100	3,100	2,900	2,700	2,800	3,300	3,700	3,900	3,900	4,000	4,000	40,400
Total: Cash receipts		4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500	67,800
Cash disbursements														
Cost of goods		3,120	3,354	3,510	3,510	3,510	3,900	4,446	5,070	5,460	5,460	5,694	5,850	52,884
Variable labor									200	200	200	200	100	900
Advertising		100	25	25	25	25	40	40	40	40	40	40	40	480
Insurance				150			150			150			150	600
Legal and accounting			125			125			125			125		500
Delivery expense		80	85	90	95	100	110	110	120	130	130	135	135	1,320
Fixed cash disbursements		688	688	688	688	688	688	688	688	688	688	688	688	8,256
Loan #1		145	145	145	145	145	145	145	145	145	145	145	145	1,740
Mortgage		250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total cash disbursements		4,383	4,672	4,858	4,713	4,843	5,283	5,679	6,638	7,063	6,913	7,277	7,358	69,680
Net cash flow		(383)	(372)	(358)	(213)	(343)	(283)	21	(138)	(63)	87	23	142	(1,880)
Cumulative cash flow		(383)	(755)	(1,113)	(1,326)	(1,669)	(1,952)	(1,931)	(2,069)	(2,132)	(2,045)	(2,022)	(1,880)	
Fixed Cash disbursements														
Utilities	100													
Salaries	430													
Payroll taxes & benefits	40													
Office supplies	10													
Maintenance & cleaning	20													
Licenses	5													
Boxes, paper, etc	10													
Telephone	50													
Miscellaneous	23													
	$688													
Cash on hand: Loan proc.	4,000													
Cash	535													
Opening Balance		4,535	4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,513	
+ Cash receipts		4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500	
Total new balance		4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,513	2,655	

QUARTERLY CASH FLOW PROJECTION
MARINER'S CATCH SEAFOODS, INC.
Quarterly for Years 2 and 3

		1st QTR Year 2 (Dec)	2nd QTR Year 2 (Mar)	3rd QTR Year 2 (Jun)	4th QTR Year 2 (Sept)	TOTAL Year 2	1st QTR Year 3 (Dec)	2nd QTR Year 3 (Mar)	3rd QTR Year 3 (Jun)	4th QTR Year 3 (Sept)	TOTAL Year 3
Cash Receipts											
Income from sales											
Wholesale		14,800	16,000	18,000	20,000	68,000	18,000	20,000	22,000	24,000	84,000
Retail		21,000	21,000	22,000	27,000	91,000	21,000	21,000	22,000	27,000	91,000
Total Cash receipts		35,800	37,000	40,000	47,000	159,800	39,000	41,000	44,000	51,000	175,000
Cash disbursements											
Cost of goods		27,925	28,850	31,200	36,650	124,625	30,450	32,000	34,300	39,800	136,550
Variable labor		750	750	750	1,000	3,250	1,000	1,200	1,500	1,500	5,200
Advertising		180	180	180	180	720	180	180	180	180	720
Insurance		150	150	150	150	600	150	150	150	150	600
Legal and accounting		185	185	185	185	740	185	185	185	185	740
Delivery expense (1)		387	420	471	524	1,802	378	420	462	504	1,764
Fixed cash disbursements		4,772	4,305	4,856	4,909	19,342	5,263	5,305	5,347	5,389	21,304
Loan #1		435	435	435	435	1,740	435	435	435	435	1,740
Mortgage		750	750	750	750	3,000	750	750	750	750	2,000
Total cash disbursements		35,660	36,585	38,935	44,635	155,815	38,925	40,685	43,285	48,785	171,690
Net cash flow		140	415	1,065	2,365		65	315	715	2,215	3,310
Cumulative cash flow			555	1,620	3,985		4,050	4,365	5,080	7,295	
Fixed Cash disbursements		Year 2					Year 3				
Utilities	140					160					
Salaries	1,200					1,333.33					
Payroll taxes & benefits	113.33					126.50					
Office supplies	15					15					
Maintenance & cleaning	25					25					
Licenses	5					5					
Boxes, paper, etc	20					20					
Telephone	60					60					
Miscellaneous	33.33					33.33					
	$4,835					$5,335					
(Quarterly average)											

(1) Year 2 delivery expenses computed at 2.62 percent of wholesale sales
Year 3 delivery expenses computed at 2.10 percent of wholesale sales
NOTE: As the wholesale business increases, it is anticipated that route efficiency will also increase, causing delivery expenses to decrease

FINANCIAL DATA

MARINER'S CATCH SEAFOODS, INC.

Sources and Applications of Financing

Sources

Bank Loans:

1.	Mortgage Loan	$22,000	
2.	Term loan	10,700	
3.	Reserved loan	3,300	
	Total		$36,000

Applications

Purchase building	$22,000	
Equipment	2,200	
Renovations	4,000	
Inventory	500	
Working capital	4,000	
Reserve for contingencies	3,300	
Total		$36,000

To be secured
by
Assets of the Business
Signatures of the Principles
Marian Switzer
Frank Swanson

SBA Guarantee

MARINER'S CATCH SEAFOODS, INC.
CAPITAL EQUIPMENT LIST

Major Equipment and Normal Accessories	Model	Cost or List Price (Lower)
Storequip, Inc., display case, glass front, refrigerated	Handmade	$ 200
Storequip, Inc., display case, glass front, ice	SST6-77K	400
Dayton air compressor	$45-cah-990	115
Bendix standing freezer	3979-7584	125
Nameless, Inc., standard freezer	—	50
Cleaning table, fiberglassed	Handmade	200
Freezing locker & compressor	Handmade	3,000
	TOTAL:	**$4,290**
Minor Shop Equipment		
Miscellaneous knives, scalers, etc.	—	$ 75
Miscellaneous display trays, storage boxes	—	50
	TOTAL:	**$ 125**
Other Equipment		
Pickup truck with insulated body	1971 Ford, Lo-bed	$ 1,885
Safe	1879 Mosler	100
Cash register	1869 NCR	50
Calculator	TI-120	65
Light fixture	Custom design	100
	TOTAL	**$ 2,200**
	CAPITAL EQUIPMENT TOTAL	**$ 6,615**

MARINER'S CATCH SEAFOODS, INC.
BEGINNING BALANCE SHEET

October 15, 19____

Current Assets	
Cash	$530
Accounts receivable (net)	100
Merchandise inventory	700
Supplies	175
Prepaid expenses	80
Total Current Assets	$ 1,585
Fixed Assets	
Fixtures & leasehold improvements	$ 3,750
Building (freezer)	3,000
Equipment	1,100
Trucks	2,500
Total Fixed Assets	$ 10,350
TOTAL ASSETS	$ 11,935

Current Liabilities	
Accounts payable	$ 2,077
Current portion LTD	$ 1,440
Total Current Liabilities	$ 3,517
Long-Term Liabilities	
Notes payable (a)	$ 535
Bank loan payable (b)	1,360
Equity loan payable (c)	1,250
Total Long-Term Liabilities	$ 3,145
Total Liabilities	$ 6,662
Net Worth: Owner Equity	$ 5,273
TOTAL LIABILITIES AND NET WORTH:	$11,935

Accounts payable:		
	Cleaver's Inc.	$1,700
	Dosser's	119
	Paxton	180
	Conway Reefer	78
		$2,077

(a) Dave N. Hall for electrical work
(b) Term loan secured by '64 Jeep, '71 Ford
(c) S & C Greer Finance Corp. Belmont, N.H.

ANNUAL PROJECTED INCOME STATEMENT

MARINER'S CATCH SEAFOODS, INC.

Three-Year Summary

	Year 1	Year II	Year III
Sales			
Wholesale	27,400	68,800	84,000
Retail	40,400	91,000	91,000
Total: Sales	67,800	159,800	175,000
Cost of material	52,884	124,625	136,550
Variable labor cost	900	3,250	5,200
Cost of goods sold	53,784	127,875	141,750
Gross margin	14,016	31,925	33,250
Operating Expenses			
Utilities	1,200	1,680	1,920
Salaries	5,160	14,400	16,000
Payroll taxes and benefits	480	1,360	1,360
Advertising	480	720	720
Office supplies	120	180	180
Insurance	600	600	600
Maintenance & cleaning	240	300	300
Legal & accounting	500	740	740
Delivery expense	1,320	1,802	1,764
Licenses	60	60	60
Boxes, paper, etc.	120	240	240
Telephone	600	720	720
Depreciation	480	480	840
Miscellaneous	275	400	400
Total: Operating expenses	11,640	23,682	25,404
Other: Expenses			
Interest (mortgage) 9.75%	2,160	2,160	2,160
Interest (loan) 10.75%	900	900	900
Total: Other expenses	3,060	3,060	3,060
Total: All expenses	14,700	26,742	28,500
Net Profit (loss) before taxes	(684)	5,183	4,750

STATEMENT OF CREDIT/CAPITALIZATION REQUIREMENTS

Sources				
Loan				$36,000
Uses of Resources				
Purchase of property			$22,000	
Equipment:	Pickup	$1,885		
	Compressor	$ 115		
	Slicer	$ 200		
Total			$ 2,200	
Renovations			$ 4,000	
Working Capital			$ 4,000	
Inventory			$ 500	
Reserve (not disbursed)			$ 3,300	
Total				$36,000

Mariner's Catch Seafoods, Inc., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreements signed July, 1980. An independent appraiser has calculated the value of the property, including leasehold improvements by Mariner's Catch, at $30,000.

The monthly payment for a 12-year mortgage will be $250 a month, a net increase of $75 a month over the current rent. See Financial Data for the effect on the business.

The truck will be used to deliver merchandise to wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: a deep well (water) required by the state; a toilet and wash sink separate from the work area; and replacement of the current obsolete heating system, thus reducing expenses.

The working capital will enable Mariner's Catch to meet current expense, offset negative (seasonal) cash flow as shown in the working capital analysis in Financial Data, and insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh frozen packaged goods (baitfish, south African lobster tails).

The reserve will be held by the bank as a line of credit to be used to take advantage of special opportunities or to meet emergencies.

The Business Planning Stages for the Firm

- Confirm the goals of the firm.
- Develop the objectives of the firm.
- Generate courses of action that will enable the firm to realize its goals.
- Decide upon the most efficient course of action to take.
- Develop a standard that enables the managers to see how the firm is progressing toward its goals.
- Evaluate and update the business plan regularly.

NAME ____________________

OBJECTIVE 6

Compile data for your business plan.

INTRODUCTION

The business plan is essential for formation of goals, obtaining financing, and determining the financial strength of the firm. This activity sheet will help the client to begin writing a business plan for the firm.

NOTE: If the Business Plan unit is specified, complete the item when ALL other sections are finished.

SUBJECT	UNIT IN CURRICULUM	PAGE IN F. TUTTLE	✓ WHEN COMPLETE
Cover Sheet	Business Plan		
Table of Contents	Business Plan		
Executive Summary	Business Plan		
Management Statement			
Personnel Evaluation	Goal Setting	9	
Technical Skills	Goal Setting	9	
Personal Characteristics	Goal Setting	9	
Management Considerations	Goal Setting	10	
Philosophy Statement			
Setting Goals	Goal Setting	11	
Personal Goals	Goal Setting	11	
Business Goals	Goal Setting	12	
Analysis of Goals	Goal Setting	12	
Business Purposes	Goal Setting	13	
Quantified Business Goals	Goal Setting	14	
Description of the Business and Management Staff			
Description of Business	Goal Setting	15	
Management Staff	Goal Setting	15	
Description of Products/Services			
Products	Inventory	16	
Services	Inventory	17	
Industry and Market Overview			
Industry Overview	Market Research	19	
Historical Data	Market Research	21	
Market Overview	Market Research	22	
Identification of Market Segments	Market Research	22	
Customers	Market Research	22	
Market Position	Market Research	23	
Assessment of Demand	Market Research	24	
Description of Area of Operations	Market Research	25-27	
Analysis of the Competition	Market Research	28-30	
Marketing			
Pricing Strategy	Advertising	31-32	
Promotional Strategy	Advertising	33	
Distribution	Advertising	34	

SUBJECT	UNIT IN CURRICULUM	PAGE IN F. TUTTLE	✓ WHEN COMPLETE
Administration			
Personnel	Recruitment and Hiring	35	
Insurance	Legal Aspects	36	
Legal Services	Legal Aspects	37	
Bookkeeping	Record Keeping	37	
Other Services	Record Keeping	37-38	
Production			
Equipment Requirements	Inventory	39	
Inventory Requirements	Inventory	40	
Personnel Requirements	Recruitment and Hiring	41	
Quality Control	Inventory	41	
Safety Requirements	Inventory	41	
Process Requirements	Inventory	42	
Packing Requirements	Inventory	42	
Research and Development	Inventory	42	

SUBJECT	UNIT IN CURRICULUM	PAGE IN F. TUTTLE	✓ WHEN COMPLETE
Finance			
Personal Statements	Record Keeping	44-46	
Capital Equipment	Record Keeping	47-48	
Start-up Expenses	Record Keeping	49	
Explanation of Projections	Forecasting Profit	50	
Average Cost per Unit	Inventory	51	
Sales Price per Unit	Financial Statements	51	
Sales Forecast	Financial Statements	52-57	
Labor Expenses	Financial Statements	58-63	
Cost of Goods Sold	Financial Statements	64-69	
Operating Expenses	Financial Statements	70-75	
Projected Income Statement	Financial Statements	76-81	
Cash-Flow Projections	Cash-Flow Management	82-86	
Break-Even Analysis	Inventory	87	
Balance Sheet	Financial Statements	88-90	
Statement of Credit/Capitalization Requirements			
Sources of Capital/Credit	Record Keeping	91	
Uses of Capital/Credit	Record Keeping	92	

ACTIVITY SHEET 2	**THE BUSINESS PLAN** **IV**

NAME ____________________

OBJECTIVE 7	**Write your business plan.**
INTRODUCTION	The business plan is essential for formation of goals, obtaining financing and determining the financial strength of the firm. Once all information is gathered, a final business plan can be prepared.
DIRECTIONS	Using all the information compiled in Activity Sheet 1, write your business plan. **NOTE:** You may wish to use software packages that make this process easier. Ask the instructor about them.

ACTIVITY ANSWERS

THE BUSINESS PLAN IV

ACTIVITY SHEET 1	Check that students have completed all phases appropriate to their businesses. Provide guidance as needed.
ACTIVITY SHEET 2	Check that business plan is complete, is appropriate, that calculations are correct, projections reasonable. Provide guidance as needed.

OBJECTIVE SHEET

RECRUITING, INTERVIEWING, AND HIRING

V

INTRODUCTION

Employees are one of the most important resources of your business. The success or failure of a business is determined largely by how well your employees do their work and how well their work is coordinated with other jobs. This unit will help you find the right person, through well-prepared recruiting and hiring.

UNIT OBJECTIVE

After completing this unit, the client will be able to discuss the practices and processes involved in recruiting, interviewing and hiring, and will be able to write job descriptions and evaluate employment applications. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with recruiting, interviewing, and hiring.
2. Select from a list guidelines for effective recruiting.
3. State the items included in a job specification.
4. Select from a list the items included in a job application.
5. List the items included in a job description.
6. Select from a list factors to consider in an interview.
7. State the legal considerations affecting job applications.
8. State five crucial areas of an application and/or interview evaluation.
9. Determine desirable practices that contribute to productive recruiting. (Activity Sheet 1)
10. Design a job description. (Activity Sheet 2)
11. Distinguish between appropriate and inappropriate interviewing topics. (Activity Sheet 3)
12. Evaluate your interviewing techniques. (Activity Sheet 4)

SUGGESTED ACTIVITIES

RECRUITING, INTERVIEWING, AND HIRING

V

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for class to demonstrate competence in the required procedures.
- Order materials to supplement unit. See Suggested Resources.
- Obtain sample job descriptions, applications and specifications.
- Prepare for the video *More Than a Gut Feeling.*
- Plan on discussion questions to facilitate discussion of equal employment opportunities.

DELIVERY

Objective 1 **Define terms associated with recruiting, interviewing, and hiring.**

- Ask clients to define terms and ask other leading questions which provide foundation for discussion of recruiting, interviewing and hiring, such as requesting clients' definitions of terms.
- Review terms, as defined in unit, with class.
- Ask class to rank the importance of the terms as each contributes to the employee selection process.
- Allow for an open discussion of clients' personal experiences in the areas of recruiting, interviewing, and hiring.

Objective 2 **Select from a list guidelines for effective recruiting.**

- Have clients construct a list of guidelines for effective recruiting developed through a class discussion of clients' previous recruiting experiences.

Objective 3 **State the items included in a job specification.**

- Have each client analyze the mental and physical skills for a job specification.
- Using client-constructed job specifications, have the class select the important elements in each job specification.

Objective 4 **Select from a list the items included in a job application.**

- Have clients study several job applications.
- Require clients to list six of the most common items included in job applications and discuss to establish a consensus.

Objective 5 **List the items included in a job description.**

- Have class consider Supplement 1, a job description, noting necessary elements.

Objective 6 **Select from a list factors to consider in an interview.**

- Using Supplements 2, 3, and 4 read and discuss the influence of the equal employment opportunity legislation on questions which are appropriate for interview sessions.

  NOTE: Supplement 5 is form I-9, which is required to verify employment eligibility. An employer's handbook for completing the I-9 can be obtained from the Employment Security Commission.

Objective 7 **State the legal considerations affecting job applications.**

- Ask clients to refer to Supplement 6.

- Request the clients to develop probable situations which illustrate why consideration of legal ramifications is necessary.

- Consider the job application on Supplement 7, analyzing its components as appropriate or not appropriate from a legal standpoint.

Objective 8 **State five crucial areas of an application and/or interview evaluation.**

- Ask client to contribute useful evaluation techniques for interviewing and applications.

- Refer the class to Supplement 8, "Resume and Interview Evaluation." Using fictitious applications, the class is to evaluate the applicant based on the five areas listed on the handout.

APPLICATION

Objective 9 **Determine desirable practices that contribute to productive recruiting.**

- Use Activity Sheet 1 to encourage critical thinking about recruiting procedures and techniques.

- Have clients select what they believe are the five most important items from the ten listed. This process may be completed by individuals or in small groups. Each selection must be followed with a reason for the selection made.

Objective 10 **Design a job description.**

- Use Activity Sheet 2 to have clients prepare a job description.

- Encourage clients to discuss how precisely the job is described and to look for specific details which could assist the interview process. Use Supplement 1 as reference.

Objective 11 **Distinguish between appropriate and inappropriate interviewing topics.**

- Use Activity Sheet 3 to build awareness and specific knowledge about discriminatory questions.

- Discuss after clients have completed independent selection of appropriate interview questions.

Objective 12 Evaluate your interviewing techniques.

- Allow time for clients to read Supplement 10, "Right Questions Lead to Right Employees."
- Have class use Activity Sheet 4 to recognize familiar and unfamiliar interview techniques.
- Discuss strengths and weaknesses of recognized interview techniques from Activity Sheet 4.
- Show "More than a Gut Feeling."

SUGGESTED RESOURCES

Publications

- Bruce, Stephen D. ed., *Prewritten Job Descriptions*, BLR Publications, Business and Legal Reports, 64 Wall Street, Madison, Connecticut, 1987. Sample job descriptions may be obtained from this source.
- Bruce, Stephen D. ed., *Employee Handbook*, BLR Publications, Business and Legal Reports, 64 Wall Street, Madison, Connecticut, 1986. This book of 300 to 400 pages contains myriad forms which may be used for completion practice.
- "Sources for Locating Employees," *Small Business Reporter*, Bank of America, San Francisco, California, 1981.
- Equal Employment Opportunity Commission poster entitled "EEO is the Law," in reference to Title VII, the Age Discrimination Act, and equal pay for equal work.
- The Oklahoma State Employment Office offers several brochures and pamphlets.

Media

- *More Than a Gut Feeling.* VHS, color, 28 minutes, American Media, Inc., 1984. Explains how to maintain control in an interview, how to use silence as a tool, how to listen effectively, how to seek contrary evidence, and more. Order No. 473. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, Oklahoma 74074, phone 800-522-5810, ext. 164. Out-of-State teachers may contact American Media, Inc., 1454 30th St. W., Des Moines, Iowa 52065, phone 800-262-2557.

UNIT REFERENCES

- Flippo, Edwin B. *Personnel Management.* McGraw-Hill Book Company, Inc., New York, 1980.
- Gannon, Martin J. *Organizational Behavior.* Little, Brown and Company, Boston, 1979.

INFORMATION SHEET

RECRUITING, INTERVIEWING, AND HIRING

V

OBJECTIVE 1

Define terms associated with recruiting, interviewing, and hiring.

- **Discrimination** — The act of showing partiality or prejudice toward someone or something
- **Equal Employment Opportunity Commission (EEOC)** — A government agency that oversees employment practices, helping to avoid racial, religious, gender or other forms of discrimination
- **Interview** — The actual question and answer period where the employer and applicant have an opportunity to get acquainted with one another
- **Job analysis** — A complete study of the job including physical and mental tasks required for the job, methods and machinery needed, purpose of the job, and necessary qualifications
- **Job description** — A complete outline of the job to be done
- **Job specification** — Describes the person needed to fill the job
- **Recruiting** — Bringing in applicants who are appropriate for a certain position

OBJECTIVE 2

Select from a list guidelines for effective recruiting.

- Know the job and the skills required for the job and the kind of person you are looking for.
- Set minimum standards for applicants so that others can screen inquiries for you.
- Use all potential sources for bringing in applicants who are appropriate to the respective positions.
- Review recruiting practices periodically, considering applicants hired, time, and money consumption, and sources.

OBJECTIVE 3 **State the items included in a job specification.**

- Minimum mental skills necessary to perform the job
- Minimum physical skills necessary to perform the job

OBJECTIVE 4 **Select from a list the items included in a job application.**

- Name
- Residence
- Military Service
- Education

  NOTE: Includes high school, vocational, college, special training, etc.

- Work history
- References

OBJECTIVE 5 **List the items included in a job description.** (Supplement 1)

- Job title
- Job statement
- Major duties
- Relationships - Subordinates/Supervisors

OBJECTIVE 6 **Select from a list factors to consider in an interview.** (Supplements 2, 3, 4 and 5)

NOTE: The Equal Employment Opportunity Commission (EEOC) prohibits the use of interview questions that could lead to discrimination practices. The topic areas below are acceptable interview practices. See Supplements 2, 3, and 4 for unacceptable questions.

- Specific skills and experiences
- Attitudes and personality

- Salary expectations
- Hobbies and interests
- References
- Definition of success
- Description of capable supervisory techniques
- Interest in job
- Intelligence and aptitude
- Decision-making responsibilities
- Evidence of initiative and goal setting

OBJECTIVE 7

State the legal considerations affecting job applications. (Supplement 6 and 7)

- Applications should not be marked on

  NOTE: No marks should be made on an application form. Evaluation should be carried out on a separate form.

- Applications should be kept on file for a pre-determined time, which should be listed on the application.
- Applications must be distributed to anyone who requests them.

OBJECTIVE 8

State five crucial areas of an application and/or interview evaluation. (Supplement 8)

- Work history

  NOTE: Worker's Compensation history can be obtained from the Worker's Compensation Court.

- Initiative, drive, and perseverance
- Knowledge and skills
- Communication skills
- Aspirations

A properly prepared job description should easily fit on one piece of paper. For instance, a job description for an automobile mechanic might contain the following information:

JOB DESCRIPTION

Date: 10-12-90

JOB TITLE Automobile Mechanic

STATEMENT OF THE JOB

Responsible for inspection and service to automobiles, including repair and/or replacement of parts which are mechanically defective.

MAJOR DUTIES

1. Determines type and location of the mechanical defect based on inspection of the mechanical, fluid, and electrical systems of the automobile.
2. Repairs or replaces faulty parts:
    a. major repairs include motor or transmission replacements
    b. minor repairs include brake lining, battery, carburetor or hose replacements
3. Completes maintenance tasks which may include tune-ups, brake adjustments, and transmission overhauls.
4. Checks routine maintenance needs such as oil changes, lubrications, and transmission fluid changes.
5. Maintains all garage equipment and tools.

RELATIONSHIPS

Performs as supervisor of a mechanic's helper, and possibly the station attendants, when employees are called upon to assist. The station manager functions as the mechanic's supervisor and will provide morning and afternoon work assignments.

SUMMARY OF LAW PERTAINING TO EEO

Federal Laws:

- 13th Amendment — This law prohibits the practices of slavery and involuntary servitude.
- 14th Amendment — Without due process, it is illegal to deprive anyone of life, liberty, property, and protection.
- Civil Rights Act of 1966
    - Section 1981 for court action if plaintiff's case is based on alleged racial discrimination (not used for sex, religion, national origin). It may be used to avoid lengthy time intervals that sometimes occur due to technical aspects in 1964 Act.
    - Section 1983 for the right to sue for redress of injury, equity within a ten-year time limit. It falls under contract law and may be used by anyone.
- National Labor Relations Act of 1935 (amended in 1947 and 1959) — This legislation makes it unlawful for employers to participate with unions in any acts that discriminate against employees on the basis of race, religion, or national origin or that causes racial or other divisions among employees. It is also unlawful for unions to discriminate for membership that might cause the loss of a job, and to discriminate in the areas of union representation, collective bargaining, grievances, etc.
- Equal Pay Act of 1963 — Employers must provide equal pay for both men and women performing similar work. This is administered by the Wage and Hour Division of the U. S. Department of Labor. Due to several well-known court cases, a number of employers have made substantial back-pay awards to protected classes who were found to have been subjects of discrimination.

- Civil Rights Act (CRA) of 1964 — Though there are a few limited exceptions, Title VII of the Civil Rights Act of 1964 is addressed to all employers with 15 or more employees. All discrimination in employment because of race, color, religion, sex, or national origin is forbidden. It is the responsibility of the employer to see that all terms and conditions for employment discourage any kind of discrimination within the employer's organization. Title VII of the CRA is administered and enforced by the Equal Employment Opportunity Commission (EEOC). The Title VII amendment did give the EEOC authority to file an action in court to obtain relief when conciliation efforts failed, but it does not provide the EEOC with court enforcement.

- Age Discrimination in Employment Act of 1967 — Similar to Title VII, the same employers are forbidden to discriminate due to the age of anyone at least 40 years old but less than 65. This is enforced by the Wage and Hour division of the Department of Labor. Guidelines may differ according to a particular state. Iowa protects people between 18 to 76 years of age.

- Equal Employment Opportunity Act of 1972 — Investigation of job discrimination complaints is initiated by the Equal Employment Opportunity Commission and, where the charge is justified, the Commission attempts through conciliation to reach an agreement. If these efforts fail, however, the Commission may go directly into federal court to enforce the law. Organizations may also file class action suits for individuals who may have been discriminated against by their employers and, through this process, may claim back pay, damages, and legal fees. In addition, an independent party can also go into court directly to sue an employer for alleged discriminatory practices. The Equal Employment Opportunity Commission publishes guidelines which assist companies in compliance. Also, the burden of proof is on the employer. Goals and timetables for the hiring of females and minorities may be structured by the Commission.

- Title VII of the CRA of 1964, passed in 1972 — This amendment forbids discrimination in all areas of the employer-employee relationship—from help-wanted advertisement to retirement or termination. The law includes labor unions, employment agencies and employers, and private or public businesses. To be held responsible under this law, a business must affect interstate commerce and must employ at least 15 workers during each working day in each of 20 or more calendar weeks in the current or preceding year.

- Rehabilitation Act of 1973 — Discrimination based on disabilities is banned under this law. Reasonable accommodations for disabled employees must be made by the employer. An employer is required to show good faith; however, no legal power exists to go directly to court to enforce this act.

- Pregnancy Act of 1978 — Actually an amendment to the 1964 Civil Rights Act, this law states that "women affected by pregnancy, childbirth, or related medical conditions, shall be treated the same for all employment related purposes, including receipt of benefits under fringe benefit programs, as other personnel not so affected but similar in their ability or inability to work." The employer is not required to provide health care benefits for the pregnant woman under this law, but pregnancy must be treated as any other disability in terms of leave of absence and health care coverage.

- Immigration Reform and Control Act of 1986 — States that employers should hire only American citizens and aliens who are authorized to work in the United States. Verification of employment eligibility of anyone hired after November 6, 1986, is required. The Form I-9, "Employment Eligibility Verification," must be completed and retained by the employer. A *Handbook for Employers: Instructions for Completing Form I-9* is available from the U.S. Department of Justice, Immigration and Naturalization Service.

- Americans with Disabilities Act (ADA) 1990 — Makes private businesses liable for all aspects of federal regulations applying to people with physical disabilities, including discrimination and accessibility requirements. Becomes effective July, 1992, at which time all businesses with 25 or more employees must provide accessibility for the disabled on the job site and into the building, whether or not they have hired disabled workers. In 1994, the law will apply to businesses with 15 or more employees. Businesses with fewer than 15 employees are exempt.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION GUIDELINES ON QUESTIONS WHICH MAY LEAD TO DISCRIMINATION

Public and private employers often pose questions which may inquire into items addressed under Title VII of the Civil Rights Act of 1964 or mentioned within another law aimed at achieving equal employment opportunities.

Caution should be exercised by any employer so that no unlawful discrimination is practiced by his employees. Particular attention should be given to any question that would provide potentially useful evidence to complainants making charges of discrimination against the employer. However, many of these same questions are appropriate and acceptable if the purpose is to obtain information for an affirmative action program or to collect required post-employment information.

1. AGE? DATE OF BIRTH? — Discrimination on the basis of age against persons between the ages of 40 and 70 is prohibited under the Age Discrimination in Employment Act (29 U.S. C. 621-34). Most states also have laws which prohibit age discrimination.

2. ARRESTS? — Since an arrest is no indication whatsoever of guilt, it is improper to ask for arrest records. This can be particularly damaging to minorities who historically have suffered proportionately more arrests than others. See Carter v. Gallagher, 451 F. 2d (315 8th Cir. 1971); Gregory v. Litton Systems, Inc., 316 F. Supp. 401 (C. D. Cal. 1970). The possibility for discrimination in the consideration of arrest records has also been noted by the Department of Labor. See 60-2.24 (d) (3) of Revised Order No. 4, which established affirmative action standards and guidelines for government contractors.

3. AVAILABLE FOR SATURDAY AND SUNDAY WORK? — Discrimination against practitioners of specific religions which prohibit from working on Saturday or Sunday is unlawful. However, there are instances when this information is pertinent. Prohibiting discrimination on the basis of religion, Section 701 (j) of Title VII, as amended in 1972, defines religion to include "all aspects of religious observance and practice, as well as belief, unless an employer demonstrates that he is unable to reasonably accommodate to an employee's or prospective employee's religious observance or practice without undue hardship on the conduct of the employer's business." If this item is of legitimate concern to the employer, efforts should be made to meet the religious needs of employees.

4. CHILDREN UNDER 18? WHAT ARRANGEMENTS WILL YOU MAKE FOR THE CARE OF MINOR CHILDREN? — This question is typically directed at female prospective employees due to a concern for absenteeism and tardiness. Many times, it is assumed that small children will limit the work output of the female employee. Realistically, common causes of absenteeism and tardiness affect both men and women. The U.S. Supreme Court has ruled that unless there exists proof of business necessity, Title VII discourages hiring policies which discriminate between women and men—each with pre-school children. Phillips v. Martin Marietta Corp., 400 U. S. 542 (1971).

5. CITIZEN OF WHAT COUNTRY? — Due to the Immigration Reform and Control Act of 1986, only American citizens and aliens who are authorized to work in the United States may do so. Employers are required to verify employment eligibility of anyone hired after November 6, 1986, and to maintain records of completed I-9 forms. National origin cannot be a basis for employment or non-employment, however. One federal court decision denying the practice of discrimination based on national origin is Cuzman v. Polich and Benedict Construction Company 2 (CCH) EPD par. 10, 150 (C. D. Calif. 1970).

6. CONVICTIONS (OTHER THAN FOR TRAFFIC VIOLATIONS)? — The use of this question to deny employment probably discriminates against certain ethnic groups, since certain minority groups may have excessive numbers of recorded convictions. The employer does have the right to make employment judgments which eliminate the hiring of persons with specific kinds of offenses for inappropriate types of jobs. A prudent method for employers would be to obtain conviction records from the local police departments rather than from applicants. This effort should include a statement on the application indicating that a criminal record does not automatically inhibit employment. Any employees possessing knowledge of such records should be cautioned as to their limited use.

7. CREDIT RECORD? — This question may be particularly discriminatory against minority groups because of typically lower socioeconomic status. Refer to EEOC Decision 72-0427 (1971); CCH Employment Practices Guide par. 6312. Under the U. S. Department of Labor 60-2.24 (d) (3) of Revised Order No. 4, standards and guidelines are detailed for government contractors' affirmative action programs.

8. EYES? HAIR? — These descriptors are not related to job performance and, therefore, are inappropriate. Use of these questions may indicate discrimination against a particular race or religion.

9. FIDELITY BOND REFUSAL? — The Maryland Commission on Human Relations issued an order banning application or interview questions concerning bond refusals because of potential discriminatory practices. CCH Employment Practices Guide par. 5047.

10. FRIENDS OR RELATIVES WORKING FOR EMPLOYER? — This could potentially show prejudice for relatives or friends of present employees, and would be especially prohibited if it resulted in discrimination against women or minorities.

11. GARNISHMENT RECORD? — Based on Johnson v. Pike Corporation of America 332 F.Supp. 490 (C. D. Calif. 1971) and Griggs v. Duke Power Co., 401 U. S. 424 (1971), minorities often face more discrimination due to wage garnishments than do whites. Thus, this information should not be required in that wage garnishments do not determine job performance capabilities.

12. HEIGHT? WEIGHT? — Minimum height or weight stipulations which are not job requirements often discriminate against women and certain nationalities and such questions are not acceptable.

13. LOWER ACCEPTABLE SALARY? — Women may sometimes accept lower salaries than would be desirable to men. The law prohibits lesser pay for identical jobs based on gender. See Hodgson v. City Stores, Inc., 332 F. Supp. 942 (M. C. Ala., 1971).

14. MAIDEN NAME? — Religion, national origin, or marital status as reflected by a woman's maiden name do not directly relate to job performance and should not be included in applications or interviews.

15. MARITAL STATUS? — Under Sprogis v. United Airlines 444 F. 2d 1194 (7th Cir. 1971) and 1804.4 (a) of the EEO Commission's "Guidelines on Discrimination Because of Sex," the practice of refusing to hire married women for certain jobs violates Title VII of the Civil Rights Act of 1964. A woman is not to receive less pay with the presumption that her job is a second income, nor should an employer's attitudes toward family structure and responsibilities influence hiring practices.

16. MR., MISS OR MRS.? — Since this question serves only to identify the applicant's gender, it is unacceptable.

17. PRIOR MARRIED NAME? — Divorced women are identified improperly with questions such as this since it indicates sexual discrimination.

18. SEX? — Discrimination due to gender is prohibited unless, as stated in Title VII, "bona fide occupational qualification reasonably necessary to the normal operation" of an employer's business justifies this distinction. It is undesirable to include this question on forms for use by general applicants.

19. SPOUSE'S NAME? — Indications of marital status, religion or national origin are prohibited.

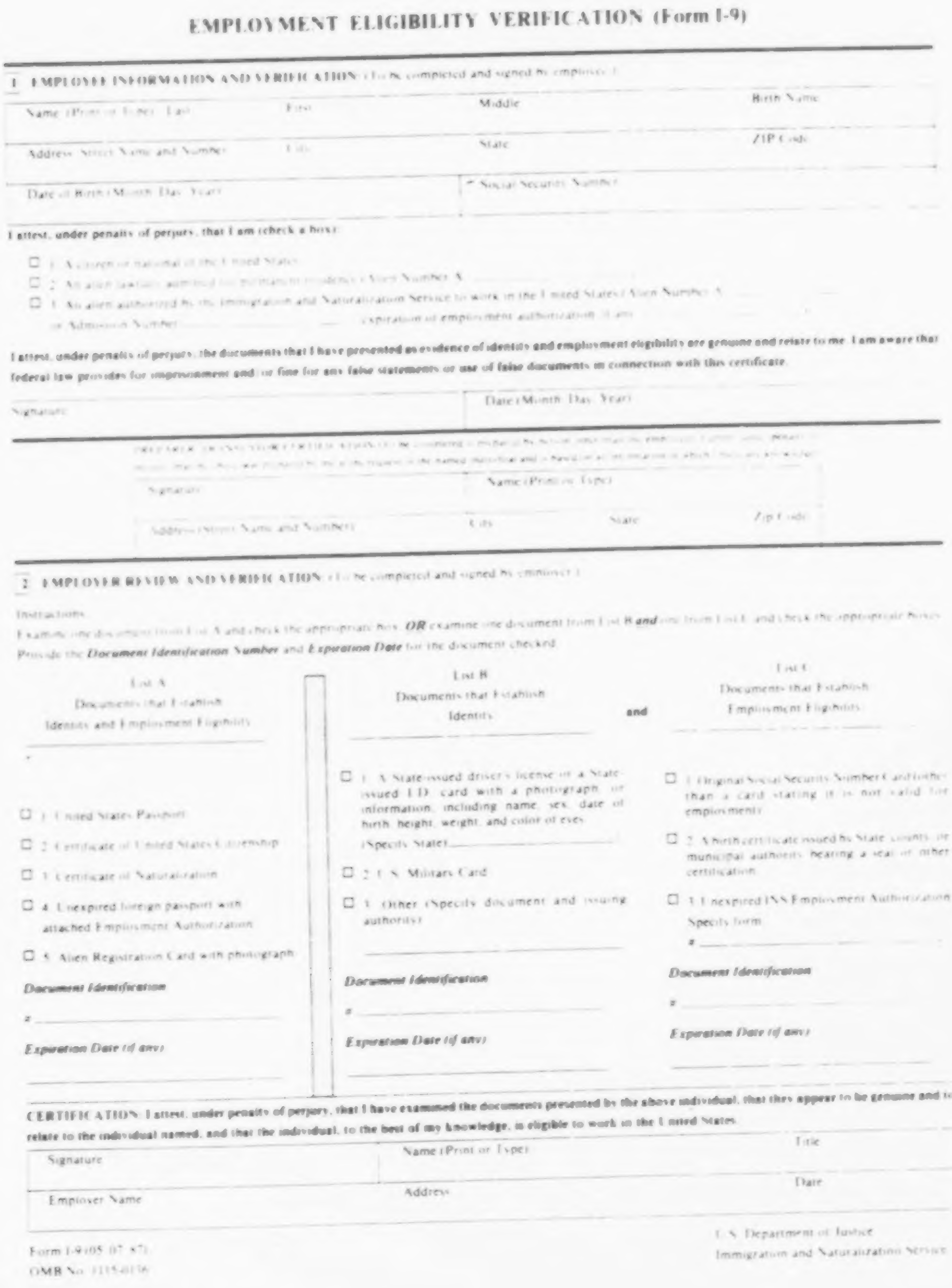
20. SPOUSE'S WORK? — Employers hesitant to hire a woman, viewing her as the second wage earner in a household, practice discrimination as stated in Title VII.

ACCEPTABLE AND UNACCEPTABLE PRE-EMPLOYMENT INQUIRIES UNDER EEO GUIDELINES

Subject	Acceptable	Unacceptable
Name	For access purposes, whether applicant's work records are under another name.	To ask if a woman is a Miss, Mrs. or Ms., or to ask for maiden name.
Residence	a) Place and length of current and previous addresses b) Applicant's phone number or how applicant can be reached	None.
Age	After hiring, proof of age by birth certificate.	a) Age or age group of applicant. b) Birth certificate or baptismal record before hiring.
National Origin	None.	a) Birthplace of applicant, parents, grandparents or spouse. b) Any other inquiry into national origin.
Race	Race for affirmative action plan statistics, *after hiring.*	Any inquiry that would indicate race or color.
Sex	Inquiry for affirmative action plan statistics *after hiring.*	Inquiry which would indicate sex unless job-related.
Religion or Creed	None.	a) Religious or religious customs and holidays. b) Recommendations or references from church officials.
Citizenship	a) Whether a U.S. Citizen. b) If U.S. residence is legal. c) Require proof of citizenship, *after hiring.*	a) If native-born or naturalized. b) Proof of citizenship before hiring. c) Whether parents or spouse native-born or naturalized. d) Date of citizenship.

Subject	Acceptable	Unacceptable
Military Status	a) Service in the U.S. Armed Forces, including branch and rank attained. b) Any job-related experience. c) Require military discharge certificate, *after hiring*.	a) Military service records. b) Military service for any country other than U.S. c) Type of discharge.
Education	a) Academic, professional, or vocational schools attended. b) Language skills, such as reading and writing foreign languages.	a) Nationality, racial or religious affiliation of school attended. b) How foreign language ability was acquired.
Criminal Record	Listing of convictions other than misdemeanors.	Arrest record.
References	General and work references not relating to race, color, religion, sex, national origin or ancestry.	References specifically from clergy or any other person who might reflect race, color, religion, sex, national origin or ancestry.
Organizations	a) Organizational membership - professional, social, etc., so long as affiliation is not used to discriminate on the basis of race, sex, national origin or ancestry. b) Offices held, if any.	Listing of all clubs applicant belongs to or has belonged to.
Photographs	May be required *after hiring* for identification purposes.	a) Request photographs before hiring. b) To take pictures of applicants during interview.
Work Schedule	a) Willingness to work required work schedule. b) Whether applicant has military reservist obligations.	Willingness to work any particular religious holiday.
Physical Data	a) To require applicant to prove ability to do manual labor, lifting and other physical requirements of the job, if any. b) Require a physical examination.	To ask height and weight, impairment or other non-specified job-related physical data.

Subject	Acceptable	Unacceptable
Handicap	To inquire for the purpose of determining applicant's capability to perform the job. (Burden of proof for non-discrimination lies with the employer).	To exclude handicapped applicants as a class on the basis of their type of handicap. Each case to be determined individually.
Other Qualifications	Any area that has a direct reflection on the job.	Any non-job related inquiry that may present information permitting unlawful discrimination.
Sources:	Civil Rights Act of 1964, Title VII, as amended; Equal Employment Opportunity Act of 1972; Education Amendment of 1972, Title IX; Age Discrimination in Employment Act of 1967; Equal Employment Opportunity Guidelines, 1978 and revision.	



EMPLOYMENT ELIGIBILITY VERIFICATION (Form I-9)

1 EMPLOYEE INFORMATION AND VERIFICATION: (To be completed and signed by employee.)

Name: (Print or Type) Last First Middle Birth Name

Address: Street Name and Number City State ZIP Code

Date of Birth (Month/Day/Year) Social Security Number

I attest, under penalty of perjury, that I am (check a box):

☐ 1. A citizen or national of the United States.
☐ 2. An alien lawfully admitted for permanent residence (Alien Number A ______).
☐ 3. An alien authorized by the Immigration and Naturalization Service to work in the United States (Alien Number A ______ or Admission Number ______, expiration of employment authorization, if any ______).

I attest, under penalty of perjury, the documents that I have presented as evidence of identity and employment eligibility are genuine and relate to me. I am aware that federal law provides for imprisonment and/or fine for any false statements or use of false documents in connection with this certificate.

Signature Date (Month/Day/Year)

PREPARER/TRANSLATOR CERTIFICATION (To be completed if prepared by person other than the employee). I attest, under penalty of perjury, that the above was prepared by me at the request of the named individual and is based on all information of which I have any knowledge.

Signature Name (Print or Type)

Address (Street Name and Number) City State Zip Code

2 EMPLOYER REVIEW AND VERIFICATION: (To be completed and signed by employer.)

Instructions:
Examine one document from List A and check the appropriate box, ***OR*** examine one document from List B ***and*** one from List C and check the appropriate boxes.
Provide the ***Document Identification Number*** and ***Expiration Date*** for the document checked.

List A
Documents that Establish
Identity and Employment Eligibility

☐ 1. United States Passport
☐ 2. Certificate of United States Citizenship
☐ 3. Certificate of Naturalization
☐ 4. Unexpired foreign passport with attached Employment Authorization
☐ 5. Alien Registration Card with photograph

Document Identification
# ______

Expiration Date (if any)
______

List B
Documents that Establish
Identity

and

☐ 1. A State-issued driver's license or a State-issued I.D. card with a photograph, or information, including name, sex, date of birth, height, weight, and color of eyes.
(Specify State) ______
☐ 2. U.S. Military Card
☐ 3. Other (Specify document and issuing authority)
______

Document Identification
# ______

Expiration Date (if any)
______

List C
Documents that Establish
Employment Eligibility

☐ 1. Original Social Security Number Card (other than a card stating it is not valid for employment)
☐ 2. A birth certificate issued by State, county, or municipal authority bearing a seal or other certification
☐ 3. Unexpired INS Employment Authorization
Specify form
# ______

Document Identification
# ______

Expiration Date (if any)
______

CERTIFICATION: **I attest, under penalty of perjury, that I have examined the documents presented by the above individual, that they appear to be genuine and to relate to the individual named, and that the individual, to the best of my knowledge, is eligible to work in the United States.**

Signature Name (Print or Type) Title

Employer Name Address Date

Form I-9 (05/07/87)
OMB No. 1115-0136

U.S. Department of Justice
Immigration and Naturalization Service

BEST COPY AVAILABLE

Employment Eligibility Verification

NOTICE: Authority for collecting the information on this form is in Title 8, United States Code, Section 1324A, which requires employers to verify employment eligibility of individuals on a form approved by the Attorney General. This form will be used to verify the individual's eligibility for employment in the United States. Failure to present this form for inspection to officers of the Immigration and Naturalization Service or Department of Labor within the time period specified by regulation, or improper completion or retention of this form, may be a violation of the above law and may result in a civil money penalty.

Section 1. Instructions to Employee/Preparer for completing this form

Instructions for the employee.

All employees, upon being hired, must complete Section 1 of this form. Any person hired after November 6, 1986 must complete this form. (For the purpose of completion of this form the term "hired" applies to those employed, recruited or referred for a fee.)

All employees must print or type their complete name, address, date of birth, and Social Security Number. The block which correctly indicates the employee's immigration status must be checked. If the second block is checked, the employee's Alien Registration Number must be provided. If the third block is checked, the employee's Alien Registration Number *or* Admission Number must be provided, as well as the date of expiration of that status, if it expires.

All employees whose present names differ from birth names, because of marriage or other reasons, must print or type their birth names in the appropriate space of Section 1. Also, employees whose names change after employment verification should report these changes to their employer.

All employees must sign and date the form.

Instructions for the preparer of the form, if not the employee.

If a person assists the employee with completing this form, the preparer must certify the form by signing it and printing or typing his or her complete name and address.

Section 2. Instructions to Employer for completing this form

(For the purpose of completion of this form, the term "employer" applies to employers and those who recruit or refer for a fee.)

Employers must complete this section by examining evidence of identity and employment eligibility, and:

- checking the appropriate box in List A *or* boxes in both Lists B and C;
- recording the document identification number and expiration date (if any);
- recording the type of form if not specifically identified in the list;
- signing the certification section.

NOTE: Employers are responsible for reverifying employment eligibility of employees whose employment eligibility documents carry an expiration date.

Copies of documentation presented by an individual for the purpose of establishing identity and employment eligibility may be copied and retained for the purpose of complying with the requirements of this form and no other purpose. Any copies of documentation made for this purpose should be maintained with this form.

Name changes of employees which occur after preparation of this form should be recorded on the form by lining through the old name, printing the new name and the reason (such as marriage), and dating and initialing the changes. Employers should not attempt to delete or erase the old name in any fashion.

RETENTION OF RECORDS.

The completed form must be retained by the employer for:

- three years after the date of hiring, or
- one year after the date the employment is terminated, whichever is later.

Employers may photocopy or reprint this form as necessary.

U.S. Department of Justice
Immigration and Naturalization Service

OMB #1115-0136
Form I-9 (05/07/87)

BEST COPY AVAILABLE

LEGAL CONSIDERATIONS AFFECTING JOB APPLICATIONS

An employer must take care when handling job applications to avoid litigation. Three precautions are listed below:

1. Applications should be free of all marks. Evaluation comments should be noted on a separate form.
2. Applications should be kept on file for a specified amount of time. The time period for current filing should be typed on the application form.
3. Applications should be made available at all times.

BEST COPY AVAILABLE

JOB APPLICATION

NOTE: The following is a sample application form.

APPLICATION FOR PROFESSIONAL POSITION

Date of Application: ________________

Notice to Applicant: It is the policy of ________ to provide equal opportunities without regard to race, color, national origin, sex, age, qualified handicap, or veteran in its programs and activities.

PERSONAL DATA:

Name: ________, ________________ Social Security Number: ____________
Last First Middle

Present address: ____
Street City State Zip

Permanent address: ____
Street City State Zip

Home telephone: ________________ Business telephone: ________________

EMPLOYMENT PREFERENCE:

Type of employment: Full time only ________ Part time only ________
Temporary only ________ Full or part time ________

Kind of employment: ________ ________
________ ________

(check only those areas for which you can qualify and in which you would accept employment.) Other: ____

EDUCATIONAL PREPARATION:

Graduate of what high school: ____
School City State Date

School	**Location**	**Dates attended**	**Degree**	**GPA**

EXPERIENCE

From/To	Number of Years	
/		
/		
/		
/		
/		

PROFESSIONAL REFERENCES: (List 4)

Name		Position	Address	Telephone
	/			
	/			
	/			
	/			

PERSONAL INFORMATION

Are you aware of any reason you would not be able to perform the duties required of the position for which you are making an application?

No__________ Yes__________ If yes, explain ______________________________

List below any professional honors or activities which you would like to include:

On what date would you be available for employment? ____________________

Please give, in your own handwriting, any further information about yourself which you feel would be of importance in arriving at a fair evaluation of your qualifications.

Before this application can be evaluated, all requested information and materials must be received in the Personnel Office.

I authorize the verification of all references and information contained in this application, and hereby declare that the information given by me in this application is true and complete. I understand that any misrepresentation, falsification, or omission will be sufficient cause for cancellation of the application, or discharge if I have been employed.

Date: ______________ ____
Month Day Year Legal signature of applicant

Applications remain active for one year from date of application. Applicants should contact the Personnel Office in writing, should they wish to be considered beyond that period.

AN EQUAL OPPORTUNITY EMPLOYER

RESUME AND INTERVIEW EVALUATION

NAME ______________________________ DATE ____

CANDIDATE FOR (POSITION) ______________________________

NOTE: Following the applicant's interview, consider the items listed below.

	Ratings				
	High 5	4	3	2	Low 1
1. Previous Experience - What contributions will past duties and responsibilities give to this job? Comments: ______________________________ ______________________________	__	__	__	__	__
2. Evidence of Initiative and Self-Motivation - What supervision is needed? What challenges can he or she handle? Comments: ______________________________ ______________________________	__	__	__	__	__
3. Communication Skills - Are ideas easily understood and expressed? Comments: ______________________________ ______________________________	__	__	__	__	__
4. Skills/Knowledge - How much education, training, and knowledge of job requirements will contribute to this job? Comments: ______________________________ ______________________________	__	__	__	__	__

	Ratings				
	High				Low
	5	4	3	2	1
5. Goals - Are the applicant's goals consistent with the organizational opportunities?	__	__	__	__	__

Comments: ______________________________

____

Conclusion and Disposition: Offer ____ Not Interested ____ Hold ____

DESIGNING A JOB APPLICATION

NOTE: Legal ramifications of job applications may force questions to be changed.

Whether filling a professional or technical position, job applicants will encounter certain common elements in applications. Typically, a job application will include the following:

1) Date of application
2) Equal Employment Opportunity statement
3) Personal data
4) Educational background
5) Experience
6) References
7) Honors and affiliations
8) Signature of applicant

RIGHT QUESTIONS LEAD TO RIGHT EMPLOYEES

The interview allows the employer to select the best candidate for a particular position. From the selected applicants a determination will be made as to which person will appropriately fill the position based on job requirements, general intelligence, personality and attitudes. Sample questions and statements which will enhance the interviewing procedure are shown below:

1. Describe the responsibilities of your present job. (This enables a comparison of abilities and the needs of the prospective position.)
2. Define success in this or any job responsibility. (Strengths and weaknesses will most likely appear within this description.)
3. What do you consider to be the greatest contribution you made to your most recent job? (Energy, initiative and effort will be evidenced in this response.)
4. Why do you desire a job or career change? (Goals are presented here while incentives such as money, challenge or dismissal can be identified.)
5. What do you find attractive or desirable about this job? (Desirable aspects of this job that the prospective employee describes help the employer know just how important this job is to the interviewee.)
6. What salary goals would you like to reach in the next two to five years? (Determining whether the company can meet these salary expectations and whether the candidate sets a realistic value on his or her attributes is important to the employer.)
7. What was your relationship with your employer in your previous job? (Human relation skills and attitudes will be stated.)
8. Share some of your hobbies and interests. (Elements of one's lifestyle will provide the employer with a broader view of the applicant.)

9. Who can we contact for references? (Willingness to use former employers indicates positive relationships in previous jobs and communication with these references may contribute to the information gathering.)

10. What are the skills and attributes you desire in a boss? (Through this question, the employer may determine if the applicant can fit comfortably within the company or organizational structure.)

11. What do you know about this company? (Preplanning and accurate information may indicate the abilities of the applicant and the degree to which he or she desires the job.)

12. What do you need to know before making a decision? (If independent decision-making is important, or teamwork is demanded within the company, individual approaches will make a significant difference.)

13. What are some steps toward success that your former employer could use? (Negative feelings toward past employment may surface here and the ability to identify problem areas may be evident.)

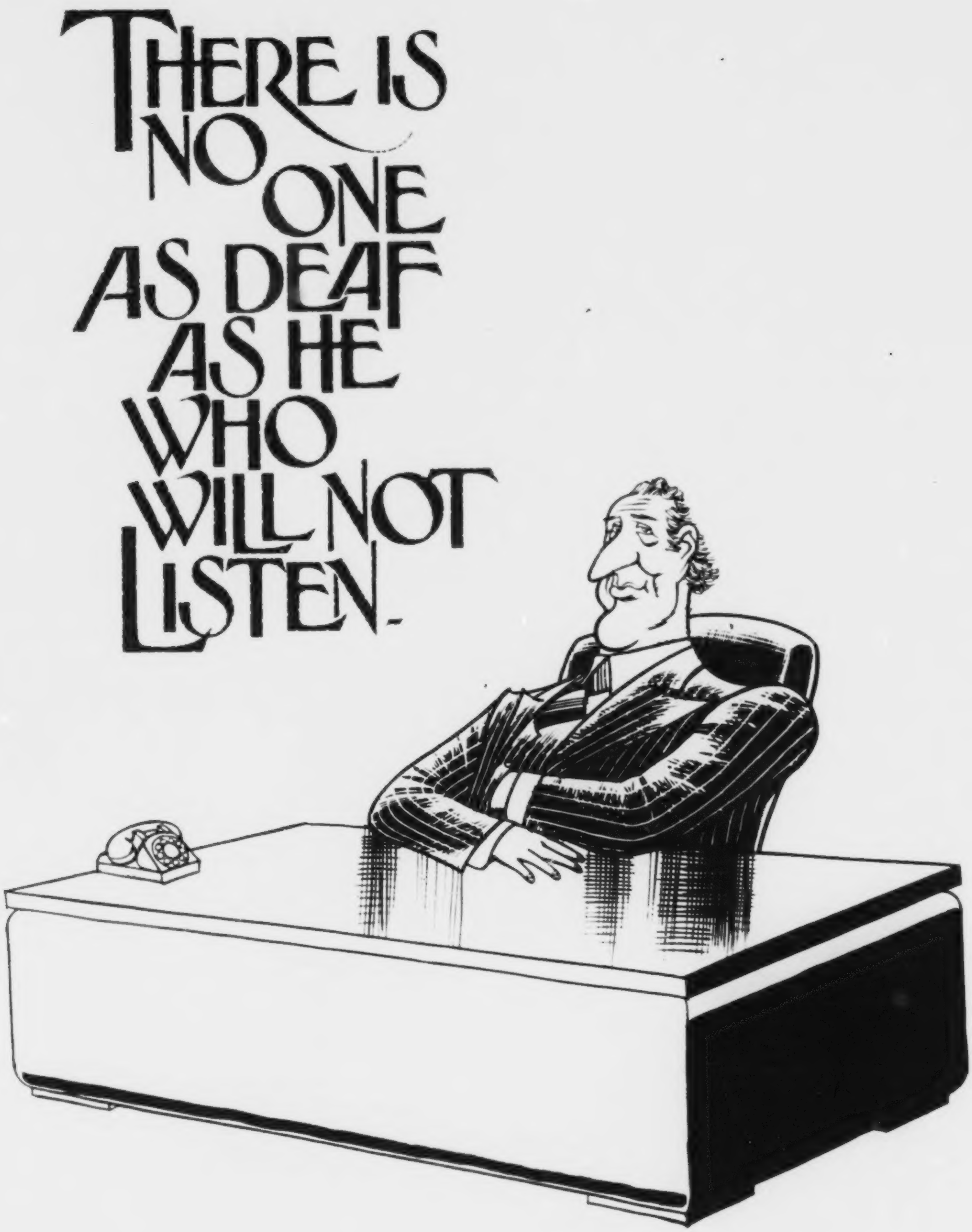
14. In what school subjects did you do well? Were you successful in school? (Work habits, intelligence and aptitude are brought out in this discussion.)

15. While going to school, were you employed? (Initiative and dependability are necessary when attending school and maintaining a job.)

16. Was there a time in your previous position when you found it necessary to break company policy?

17. Was there a time when you had to deal with a difficult customer? What did you do?

18. Tell me about the most useful bit of criticism you ever received.


THERE IS NO ONE AS DEAF AS HE WHO WILL NOT LISTEN.

ACTIVITY SHEET 1

RECRUITING, INTERVIEWING, AND HIRING

V

OBJECTIVE 9

Determine desirable practices that contribute to productive recruiting.

INTRODUCTION

Employers may discover employee prospects through media advertising, state vocational and technical schools and from the state's employment office. However, gathering the names of these prospective workers is only a portion of the recruiting process. The wise employer will identify ways to improve his or her recruiting practices.

DIRECTIONS

Part 1

The following list contains suggested techniques that may enhance recruiting practices. Place a check beside what you believe to be the five most important techniques. Briefly discuss your reasons in the space provided on page 48.

_______1. Prepare a job description and job specification so that the job, the necessary education and training, and the type of person needed are identified.

_______2. Communicate job vacancies to other employees, business acquaintances, and educational personnel to obtain their cooperation in identifying prospective employees.

_______3. Specify minimum requirements so you are prepared for the initial screening.

_______4. When initial advertising efforts produce inadequate results, list the position under several different headings or titles to attract a more diverse population.

_______5. Enlist the assistance of employment agencies in developing recruiting practices.

_______6. Reevaluate your recruiting process regularly to spot weaknesses and/or strengths.

_______7. Request input from employees you have hired for helpful information regarding the recruiting process.

_______8. Study the success of applicants hired through your recruiting process.

_______9. Calculate the time used by yourself and other employees, plus money spent in recruiting.

______10. Be ready to experiment with any new ideas for recruitment.

Part 2

Write the number of the technique you have selected in the blank and a key phrase from the description. Write a brief statement explaining your choice.

Technique Number	Supporting Statement
______	________________________________
	________________________________
______	________________________________
	________________________________
______	________________________________
	________________________________
______	________________________________
	________________________________
______	________________________________
	________________________________

ACTIVITY SHEET 2

RECRUITING, INTERVIEWING, AND HIRING

V

OBJECTIVE 10 **Design a job description.**

INTRODUCTION The preparation of an accurate job description is essential for obtaining the best prospects for a position. Good descriptions are especially useful in high job-turnover situations as they assist in both recruitment and training practices.

DIRECTIONS **Using the categories listed below, prepare a job description for a convenience store clerk.**

JOB TITLE: ______________________________

JOB STATEMENT: (Briefly describe the job.) ______________

____

____

MAJOR DUTIES: (Between five and ten descriptive phrases should include the expected amount and quality of the work, safety precautions, equipment used, decision-making, and schedules.)

____

____

____

____

MINOR DUTIES: (List occasional responsibilities.)

____

____

RELATIONSHIPS: (List supervisors, co-workers, and subordinates.)

____

____

ACTIVITY SHEET 3

RECRUITING, INTERVIEWING, AND HIRING

V

OBJECTIVE 11 **Distinguish between appropriate and inappropriate interviewing topics.**

INTRODUCTION Fair employment practices demand that questions and tests be relevant to the work for which the applicant is applying. Questions that suggest discrimination could result in a lawsuit. Interviews and applications must concentrate on items that will identify those people who will perform better in the job than those who will not.

DIRECTIONS Choose the items from the list below that are appropriate interview questions. Write a check by your choices.

_____ Height

_____ Weight

_____ Age

_____ Marital Status

_____ Maiden Name

_____ Name three references who are familiar with your abilities

_____ Names of dependent children under 18 years of age

_____ Religion

_____ Place of Birth

_____ Past Work Experience and reasons for leaving

_____ U. S. Citizen?

_____ Saturday or Sunday work?

_____ Organizations, Clubs, and Societies Affiliations

_____ Attach a photograph

_____ Spouse's occupation

_____ Own your own home?

_____ Lowest acceptable salary?

_____ Foreign languages spoken, read, or written?

_____ Have you ever had your wages garnished?

_____ What child care arrangements have you made?

_____ Arrest record and reasons for the arrest(s).

ACTIVITY SHEET 4

RECRUITING, INTERVIEWING, AND HIRING

OBJECTIVE 12 **Evaluate your interviewing techniques.**

INTRODUCTION Well-planned interviewing will enhance employee selection. Of particular concern is the avoidance of topics which might be judged as discriminatory.

DIRECTIONS Write a "+" in the blank after techniques you used in your last hiring interview and a "-" after techniques you did not use. Be prepared to discuss the techniques used.

PLANNING:

1. Schedule an interview appointment with each applicant. ______
2. Allow sufficient time and space for the interview. ______
3. Be familiar with the job description and specification. ______
4. Review the candidate's application and resume, prior to interview, to prepare questions. ______
5. Have notes accessible for use during the interview. ______
6. Double check that questions meet equal employment opportunity requirements. ______
7. Develop open-ended questions in order to draw as much information as possible. ______
8. Be knowledgeable concerning duties, salary range, benefits, and hours required. ______

CONDUCTING THE INTERVIEW:

1. Provide a comfortable atmosphere. ______
2. Have a copy of the job description available for the applicant. ______
3. Detail both negative and positive aspects of the job. ______
4. Allow for the applicant's questions and other input. ______

5. Ask specific questions concerning the application and resume to determine the reason for leaving last position, verify knowledge of particular topics or personal qualifications, stability, willingness to accept responsibility, loyalty, and potential. ______

6. Determine the financial demands of the applicant and state financial rewards of the job. ______

7. Follow-up the interview by completing the interview evaluation forms. ______

NOTE: Do not make notes on the application form.

POSSIBLE QUESTIONS:

Previous Work

1. Tell me about your last job and its responsibilities. ______
2. In what elements of that job did you consider yourself to be successful? ______
3. What was least desirable about your last job? ______
4. What kind of recommendation will your supervisor provide? ______

Motivation and Problem-Solving

1. How did you solve the most difficult problem you faced in your previous job? ______
2. What do you find to be frustrating? ______
3. Describe one of your important accomplishments. ______
4. Identify your strengths. ______
5. What are some of your weaknesses? ______

Technical Skills and Acquired Knowledge

1. What qualified you for your last position? ______
2. What do you consider to be your best job-related skills? ______

Goals and Aspirations

1. What are your short-range goals? Long range goals? Process for achievement? Date of achievement? ______
2. What factors do you consider when applying for a position? ______
3. What do you believe to be a competitive salary range? ______

ACTIVITY ANSWERS

RECRUITING, INTERVIEWING, AND HIRING V

ACTIVITY SHEET 1

- Check to see that each client has selected five items from the list of ten.
- Facilitate discussion to determine that the clients have developed supporting reasons for their selections.
- There are no absolute correct answers on this assignment sheet.

ACTIVITY SHEET 2

Check to see that the job description is complete and that details fit the requirements for the job of convenience store clerk.

ACTIVITY SHEET 3

Three references who are familiar with your abilities?
Past work experience and reasons for leaving?
U.S. Citizen?
Foreign languages spoken, read or written?

If clients can substantiate that any other items might be job-related, essential job requirements, or appropriate for state or national security purposes, then an argument may be made for their inclusion in the above list. Allow for a discussion of these items.

ACTIVITY SHEET 4

- Allow individual clients to select techniques employed or omitted in a recent interview.
- Encourage clients to share specific strengths and weaknesses.

OBJECTIVE SHEET

TRAINING, MOTIVATION, AND SUPERVISION

VI

INTRODUCTION

Once you have employed qualified personnel, you have responsibilities in the processes of training and motivating, combined with capable supervision, that contribute to a productive organizational environment. Training takes place as new skills are added to existing skills in order to enhance the organization's purpose. Motivation of employees may take many forms or approaches. The goals always involve successful output of a product or service. Both training and motivation are cultivated by carefully implementing supervisory knowledge, gained through education and experience.

UNIT OBJECTIVE

After completing this unit, the client should be able to apply the steps for setting up on-the-job training, list factors for motivating employees, and determine useful supervisory skills that promote goal setting and positive evaluation techniques. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with organizational training, motivation, and supervision.
2. Discuss the most widely used methods of training.
3. Discuss factors that lead to employee motivation.
4. Discuss the six steps of good supervision.
5. List criteria for performance appraisals.
6. List the steps for overall performance conferencing.
7. State procedures for disciplinary or dismissal proceedings, including an exit interview.
8. Arrange in order steps for supervising productive decision-making.
9. Describe elements of a policy manual or an employee handbook.
10. Discuss the principles of on-the-job training.

11. Prepare an orientation checklist for new employees. (Activity Sheet 1)

12. Develop a performance appraisal. (Activity Sheet 2)

13. Compare employer and employee motivational factors. (Activity Sheet 3)

14. Analyze the steps of on-the-job training in a practical situation. (Activity Sheet 4)

15. Prepare an on-the-job training plan.

PREPARATION

- Obtain materials to supplement unit.

  NOTE: See Suggested Resources.

- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.

- Determine scope and sequence of objectives you add. Design and develop support materials, including evaluation techniques, for additional objectives.

- Review teaching suggestions and plan classroom activities.

- Determine how you will schedule time for clients to demonstrate competence in the required procedures.

- Invite a human resources director to share successful supervisory techniques.

  NOTE: Provide guest speakers with Objective Sheet, Information Sheet and any other components or guidelines pertinent to the presentation.

DELIVERY

Objective 1 Define terms associated with organizational training, motivation, and supervision.

- Ask clients to define terms.

- Have them determine whether the terms might be categorized under "training," "motivation," and/or "supervision."

- Review terms, as defined in unit, with class.

- Direct a class discussion of the relationships that exist between training, motivation, and supervision.

Objective 2 Discuss the most widely used methods of training.

- Have clients discuss the methods they currently use.

- Demonstrate role playing and allow clients to practice with each other to gain confidence and overcome the early feelings of self-consciousness that often accompanies role playing.

- Refer students to Supplement 1.

Objective 3 Discuss factors that lead to employee motivation.

- Have clients volunteer factors of motivation, listing these factors on the chalkboard or chart paper.

- Prioritize these factors based on class discussion.

Objective 4 Discuss the six steps of good supervision.

- Ask clients to discuss the principles they feel are required for good supervision. Write them on the board and see which ones fall into the categories in this objective. Additional principles can be added to these six steps.

- Show video, *The Do's and Don'ts of Good Supervision*, which covers the information in this objective. The film is set in a bank, but the principles of good supervision are appropriate for any business.

- Have clients practice coaching, paraphrasing, summarizing, and let them role play the approach step.

- Allow clients to discuss their feelings about and reactions to delegating responsibility to employees.

Objective 5 List criteria for performance appraisals.

- Divide the class into three equal groups of approximately five people to a group and have each group list the items from one of two appraisal forms: Supplement 2, 3, or 4.

  NOTE: If there are more than 15 clients, prepare additional copies of each supplement, so that each group of five people has one of the two supplements to consider.

- Divide the chalkboard into segments, one for each group.
- Have a spokesperson from each group report the elements of that group's appraisal form.
- Compare the two appraisal forms by filling the three segments of the chalkboard or easel with the appraisal elements identified by each group.

Objective 6 List the steps for overall performance conferencing.

- Give the class five minutes to look over the seven steps of performance conferencing. (Supplement 5)
- Have each client turn the page over and list on the back of the page as many of the steps as can be recalled, and require an additional statement supporting the necessity of each of these steps.
- Review with the class all seven of the steps, including Supplement 6, "Goal Identification Sheet."

Objective 7 State procedures for disciplinary or dismissal proceedings, including an exit interview.

- Discuss five points included in a disciplinary or dismissal process.
- Go over Supplements 7, 8, 9, and 10 with the class, "Employee Counseling Record," "Separation/ Exit Interview," "Positive Discipline," and "Positive Description Guidelines." Specify when and where each supplement would be appropriately used.
- Have clients create role-playing situations in groups of two people each, where either a counseling record is being given or an exit interview is taking place.
- Have pairs of clients present their role playing to the class and discuss positive and negative points of each presentation.

Objective 8 Arrange in order steps for supervising productive decision-making.

- Divide class into small groups and arrange decision-making guidelines for effective supervision into logical sequence.
- Discuss elements not mentioned, but essential to supervision, such as identification of priority projects, temporarily delayed projects, and indefinitely delayed projects as part of developing guidelines.
- Lead clients in a discussion about the need for deadlines, periodic reporting, justifiable delay, and conference time.

Objective 9 Describe elements of a policy manual or an employee handbook.

- Refer to Supplement 11.
- Bring samples of employee handbooks to the session for clients to inspect and compare.
- Allow clients to discuss what items are desirable or inappropriate for their businesses.
- Evaluate the samples for clear, easy-to-understand style.
- Assign one or two clients the task of locating technical writers in your area who could prepare handbooks.

Objective 10 Discuss the principles of on-the-job training.

- Divide class into groups of two or three, and have clients discuss and list the steps they have or have not used for on-the-job training.
- Have a representative report the results of the small group discussion.

APPLICATION

Objective 11 Prepare an orientation checklist for new employees.

- Encourage clients to complete this form either in class or out of class.

- Ask clients to share their own experiences of starting a new job, telling what kind of orientation they did or did not receive and how it affected their first few weeks on the job.
- Have clients complete Activity Sheet 1.

Objective 12 Develop a performance appraisal.

- Use Activity Sheet 2 to have clients examine, compare and contrast different performance appraisals and to have them select one of these and adapt it to their own businesses or develop an appraisal specifically for their needs.

Objective 13 Compare employer and employee motivational factors.

- Use Activity Sheet 3 to help clients define the motivational and organizational climate.
- Refer to prior establishment of motivational factors (Objective 3). Number the factors in the priority order employees may perceive them. Note any differences in priority status between the original list and the one on the activity sheet. (Activity Sheet 3)

Objective 14 Analyze the steps of on-the-job training in a practical situation.

- Use Activity Sheet 4 to direct the class in discussion about applying the steps of on-the-job training to the case study.

Objective 15 Prepare an on-the-job training plan.

- Use Activity Sheet 5 to help clients prepare an on-the-job training lesson plan.
- Identify a task, such as operating a cash register or making a peanut butter sandwich, and have a client demonstrate the steps involved in the training process.
- Share some of your own experiences and have them share appropriate experiences in successful and unsuccessful on-the-job training.
- If appropriate, have clients outline a training program for some aspect of their businesses. They might work in small groups to develop a training program for a common training objective.

SUGGESTED RESOURCES

Publications

- Brennan, E. James. *Performance Management Workbook*, Distributed by: A Division of Simon & Schuster, Box 10536, Atlanta, GA 30348, Prentice Hall, Englewood Cliffs, NJ, 1989.
- Cohen, Herb. *You Can Negotiate Anything*, Bantam Books, NY, 1980.
- Fordyce, Jack K. and Weil, Raymond. *Managing with People: A Manager's Handbook of Organization Development*. Addition-Wesley, Menlo Park, California, 1979.
- Haimann, Theo and Raymond L. Hilbert. *Supervision: Concepts and Practices of Management*, South-Western Publishing Co., 1982.
- Horn, Jack. *Supervisor's Facomatic*, Distributed by: A Division of Simon & Schuster, Box 10536, Atlanta, GA 30348, Prentice Hall, Inc., Englewood Cliffs, NJ, 1986.
- *The IFM Guide to the Preparation of A COMPANY POLICY MANUAL*, Panel Publisher, Inc. 14 Plaza Road, Greenvale, New York, 11548, (516) 484-0006, 1987.
- McGinnis, Alan Loy. *Bringing Out The Best In People*. Augsberg Publishing House, Minnesota, 1985.
- Newstrom, John. *Games Trainers Play: Experimental Learning Exercises*. American Society of Training and Development, McGraw-Hill Book Company, Inc., New York, 1989.
- *PERSONNEL DOCUMENTATION AUDIT: Steering Clear of Legal Pitfalls*, Alexander Hamilton Institute, Inc., 197 West Spring Valley Avenue, Maywood, NJ 07607-1700, 1990.

Media

- *Caught in the Middle*. ½" VHS, Color, 20 min., 1988, American Bankers Association. Supervisors often find themselves in the inevitable position of mediating disputes between management and departmental personnel. This video teaches the "Give and Take" principles of mediation that produces positive results and offers tips to help supervisory personnel avoid being caught in the middle between management and staff. Order no. V133. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074, (405) 743-5164. Out-of-state teachers may contact ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

- *Coaching Skills: The Supervisor Role*. VHS, 13 minutes. Presents a series of selling situations in which sales people run into difficulties and their supervisors demonstrate the five steps of effective coaching: Observe and identify a problem, arrange a one-on-one coaching session, mutually identify the need for improvement, mutually agree on how to improve performance, and follow up to measure performance. Order no. V197. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074, (405) 743-5164. Out-of-state teachers may contact Advantage Media, Inc., 21356 Nordhoff St., #102, Chatsworth, CA 91311, phone (818) 700-0504.
- *Do's and Don'ts of Good Supervision*. VHS, 20 min., American Banking Association. Helps supervisors develop good "people skills" through the six steps of good supervision. Order no. V273. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074, (405) 743-5164. Out-of-state teachers may contact ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.
- *One-Minute Manager*. VHS, 70 minutes. Available for purchase from Blanchard Training and Development, 125 State Place, Escondido, CA, 92025, 1-800-728-6000.

UNIT REFERENCES

- Bruce, Stephen D. *How to Identify and Develop Supervisors and Managers*, Bureau of Law and Business, Inc., Madison, Connecticut, 1986.
- *Equal Employment Guidelines*. Oklahoma State Department of Education, 1990.
- Flippo, Edwin B. *Personnel Management*. McGraw-Hill Book Company, Inc., New York:1980.

- Gannon, Martin J. *Organizational Behavior.* Little, Brown, and Company, Boston: 1979.

- Heyel, Carl, ed., *The Encyclopedia For Management.* Van Nostrand Reinheld Co., New York, 1982.

- *The IFM Guide to the Preparation of a Company Policy Manual.* Prepared by the staff of the Institute for Management, Old Saybrook, Connecticut, 1978.

- Parnes, S.E. *What Every Personnel Assistant Should Know About EEO Law.* Bureau of Law of Business, Inc., Madison, Connecticut, 1986.

OBJECTIVE 1

Define terms associated with training, motivation, and supervision.

- **Autocratic leader** — This approach is authoritative, giving the supervisor the real power and control while the employees are allowed limited say in the production process
- **Criticism** — An observation or remark, usually unfavorable

  NOTE: Proper supervision involves correcting an employee in such a way as to encourage improvement.
- **Democratic leader** — This approach often concentrates on "people needs" over task demands; employees contribute freely to production ideas
- **Fringe benefits** — Vacation, holidays, sick leave, health care insurance, life insurance, educational assistance and pensions offered to employees by the company
- **Human relations** — Working effectively with people in order to improve organizational goals
- **Human resources** — Using individual potential for solving problems within an organization
- **Job design** — One person's work process divided into units of assignment
- **Job enrichment** — A source of motivation where employees are encouraged to move beyond the normal realm of the job design; a result may be improved work quality
- **Job evaluation** — Systematic determination of relative job worth; used for job analysis
- **Leadership** — The skilled use of persuasion, influence, and rapport to gather and maintain persons who will do as the leader requests
- **Motivation** — Desire within an individual to satisfy a particular and personal need

- **Personnel management** — The process of recruiting, hiring, training, motivating, and supervising employees for improved production
- **Policies and procedures manual** — An employee handbook that details rules, regulations, and participation expected by the organization

OBJECTIVE 2 **Discuss the most widely used methods of training.** (Supplement 1)

There are many methods in which an individual can acquire the knowledge and skills needed to perform more efficiently on the job. When you develop your training programs, look for skills that can be taught using role playing as an instructional choice. Employers disagree about what the best method of instruction is, but the simple answer is that no one method alone is best for every business or every employee's learning style. More than one method should be used with some individuals.

Incorporating the methods listed below will help you to achieve your training goals.

- **On-the-job training** — One-on-one teaching; probably 90% of the teaching we do uses this method.
- **Formal apprenticeships** — Very common in the early 20th century, but rarely seen in the U.S. now.
- **Use of schools and seminars** — Becoming a more popular method of instruction; some are expensive and some are free. Sending employees to seminars is a real motivator, too. It communicates to your employee that you find him so valuable that you are willing to invest in his education and will give him the time off work to do so. Consider rewarding your good employees with formal training; your business will benefit as well.
- **In-house, informal classes with small groups** — A more efficient use of time if you have several or only a few employees who need to learn the same skill; use this method rather than a repetition of one-on-one instruction.
- **Job rotation** — Also called "cross training; provides good insurance that your business will continue to run smoothly

when someone calls in sick or quits with little or no notice given.

- **Coaching** — Important after teaching employees a new skill in order to keep them on the right track; it lifts their morale if they are having difficulty with their newly acquired skill.
- **Role playing** — Use it routinely and your employees will get accustomed to practicing this way; at first it may seem awkward to them, but give it time.

  A good example of role playing would be to teach someone how to close a sale. You could describe to the employee repeatedly how to close a sale, but until she actually experiences several attempts at closing a sale, she will never really understand that skill.

  Through role playing, you would pretend to be various types of customers she will encounter. It would be far more economical for your business for your employee to blow prospective sales by practicing on role-play customers. You may not only avoid lost sales, but you may also lose advertising dollars and efforts to bring those customers into your store.

OBJECTIVE 3 **Discuss factors that lead to employee motivation.**

- Feeling of belonging
- Good working environment
- Job security
- Expressions of appreciation
- Financial compensation
- Growth and promotion opportunities
- Threat of job loss or demotion
- Constructive criticism
- Concern for personal problems

- Job enrichment
- Company loyalty toward employees

OBJECTIVE 4 **Discuss the six steps of good supervision.**

- **Coach employees to improve their skills.** Don't confuse supporting an employee with supporting an employee's inability or reluctance to do a task.
  1. Explain the coaching procedure.
  2. Use a checklist of behaviors.
  3. Check off behaviors as they occur.
  4. Summarize positive behaviors.
  5. Review completed checklist.
  6. Practice skill to be improved.
- **Listen to employees.**
  - Paraphrase what the employee is saying to check your understanding of her views.
  - Ask neutral questions to pull out all necessary information without creating hostility.
  - Summarize her concerns so you can clearly understand how the employee feels the problem effects her.
  - Explain what you can do to reach a solution or compromise and why. Listen to an employee, don't be defensive. A closed mind never learns anything new. Accept an employee's feelings and never criticize how she feels.
- **Give employees support with management or others concerned.** Never criticize or put an employee down in front of others or to other employees. Be supportive of your employee's efforts and give them credit when credit is due.

- **Give employees positive reinforcement.** Reward good performance. Always communicate to your employees what they are doing well. Don't just think about the good work they did—acknowledge it and thank them.

- **Approach employees about problems.**

  1. State the problem.
  2. State the impact the problem creates for the customers, fellow employees, you, the business, etc.
  3. State your feelings—both how you feel about the problem and allow the employee an opportunity to express how he feels about the situation.
  4. Paraphrase the employee's response in regard to the problem (his justification or excuse).
  5. Restate the problem.
  6. Ask for the employee's help to rectify the problem.

- **Delegate to employees.**

  1. Motivate the employee.
  2. Explain the task.
  3. Confirm his or her understanding of the task.
  4. Establish priority of the task over other duties.
  5. Set a deadline for task completion.
  6. Reinforce his or her abilities to successfully do the task.
  7. Arrange follow-up to check on progress or help with any difficulties experienced.

OBJECTIVE 5 **List criteria for performance appraisals.** (Supplements 2, 3, 4; Activity Sheet 2)

- Quality of work
- Productivity

- Knowledge of job
- Reliability
- Availability
- Independence
- Creativity
- Initiative
- Adherence to policy
- Interpersonal relationships
- Behavior pattern
- Listening skills
- Oral communications
- Written communications
- Motivation
- Planning and organization
- Safety practices

OBJECTIVE 6 **List the steps for overall performance conferencing.** (Supplements 5 and 6)

- Provide a relaxed atmosphere.
- State discussion objective(s).
- Detail performance expectations.
- Employee gives self-evaluation of job performance.
- Supervisor gives evaluation of employee's performance.
- Outcomes are agreed upon mutually.
- Goals and objectives for specified time periods are decided.

- Employee prepares goal sheet, including steps toward the goal and possible obstacles.

OBJECTIVE 7

State procedures for disciplinary or dismissal proceedings, including an exit interview. (Supplements 7, 8, 9, and 10)

- Maintain employee performance and disciplinary records
- Issue warning notices if performance is below expectations
- Practice performance appraisals at regularly scheduled intervals
- Have particular instances of good and/or poor performance identified

OBJECTIVE 8

Arrange in order steps for supervising productive decision-making.

NOTE: Employees identify priorities, factors that are essential but could be delayed, or factors that could be delayed indefinitely. Supervisors provide deadlines and reporting mechanisms and accept delays, if justifiable. Time for recordkeeping and intermittent review is allocated.

1. Recognize stimulation to make a decision
2. Review information relevant to previous experience, perceptions, and values
3. State alternatives
4. Make a decision
5. Evaluate outcome and satisfaction
6. Identify positive and negative outcomes

OBJECTIVE 9

Describe elements of a policy manual or an employee handbook. (Supplement 11)

Topics

- Company rules and regulations
- Hiring practices

- Equal employment opportunities
- Probation periods
- Promotions
- Transfers

Stylistic considerations

NOTE: If you don't have time or don't feel qualified to prepare an employee handbook, look to the writing skills on your staff. Or, you can hire a technical writer to prepare your handbook for you. Look in the Yellow Pages under Technical Manuals or Writers; or contact a local university English department, an engineering firm, or manufacturer.

- Use action verbs that specify expectations. Rather than saying,, "All employees must maintain good personal hygiene," use an action verb: "Wash your hands often, and especially before handling food."
- Don't use descriptive words that only add bulk to the handbook but don't contribute to the meaning. For example, "Put away all floral wire, cutters, knives, foam, and ribbon at the end of the workday," covers all the tools and materials. It's shorter reading and more inclusive to say, "Put away all tools and materials at the end of the work day."
- As far as possible, use the KISS method: Keep It Simple, Supervisor!

OBJECTIVE 10 **Discuss the principles of on-the-job training.**

- Initially, the trainee must feel at ease with the training procedure and have information that identifies the personal gain to be derived.
- The instructor's first responsibility is to have a carefully prepared lesson plan and specifically determined instructional techniques.
- In presenting the task, the progress must move from easy to difficult tasks.

- The presentation of the task is a step-by-step approach and begins with the statement of an objective.

  EXAMPLE: The employee will be able to complete log forms.

- At the end of task presentation, the instructor must request feedback from the trainee to check for understanding.

- In order to best prepare the trainee, the instructor must consider individual differences, by carefully monitoring and adjusting the instruction.

- The supervisor is to require verbal explanation of the trainee's task performance, being certain to provide feedback on the performance.

- Observation of the task performance is an essential part of the supervisor's responsibility.

- Reinforcement should both offer praise for learning and allow the trainee to ask questions about the process.

- The supervisor is to gradually reduce input, supervising less frequently with fewer words of praise or correction.

TRAINING PLAN

Instructions Complete the chart below as each employee is trained.

Legend _____ = Training Not Required

✓ = Already Trained

NO.	SKILLS REQUIRED	SUGG. TIME	EMPLOYEES				
			Crow	Brown	Williams	Diaz	Jones
1	How to greet and assist customers	Day 1	11/10	11/1	11/15	11/8	✓
2	How to operate cash register & make change	Days 1-2	11/10 to 11/11	11/1 to 11/2	11/15 to 11/16	11/8 to 11/9	✓
3	How to fill out sales slips	Day 2	11/11	11/2	11/16	11/9	✓
4	How to process credit card sales	Day 3	11/12	11/3	11/17	11/10	✓
5	How to stock shelves	Day 4	11/13	11/4	11/18	11/11	✓
6	How to price merchandise	Day 4	11/13	11/4	11/18	11/11	✓
7	Product knowledge	Days 1-5	11/10 to 11/14	11/1 to 11/5	11/15 to 11/19	11/8 to 11/12	12/1 to 12/5
8	How to deliver merchandise	Day 6	11/17	11/8	_____	_____	_____
9	How to open and close the Accessories Department	Days 7-8	11/18 to 11/19	11/9 to 11/10	11/23 to 11/24	_____	_____
	Other _____						
	Other _____						
	Other _____						
	Other _____						

TRAINING PLAN

Instructions Complete the chart below as each employee is trained.

Legend ______ = Training Not Required

✓ = Already Trained

NO.	SKILLS REQUIRED	SUGG. TIME	EMPLOYEES				
			Crow	Brown	Williams	Diaz	Jones

NOTE: One copy completed by supervisor and one by employee.

PERFORMANCE APPRAISAL I

NAME OF EMPLOYEE ____________________

DATE ____________________

JOB TITLE ____________________

DEPARTMENT ____________________

Use the following five categories in the employee appraisal:

S — Superior - Performance stands above others' work and is outstanding in all responsibilities.

A — Above Average - Performance above requirements and of consistent high quality.

G — Good - Meets performance expectations and standards.

N — Needs Improvement - Some responsibilities call for improved performance.

U — Unsatisfactory - Performance demands improvement immediately.

Reason for Appraisal: ____Annual Review ____Disciplinary
____Promotion

Check the BLANK of the category that most accurately describes this employee's performance.

PERFORMANCE FACTORS	CATEGORIES
1. Initiative — Seeks new responsibilities and development, both personally and professionally	______S ______A ______G ______N ______U
COMMENTS: ____________________ ____________________	

PERFORMANCE FACTORS	CATEGORIES
2. Productivity — Quality and efficiency over designated time period COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U
3. Knowledge of Job — Exhibits skills and knowledge needed COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U
4. Independence — Performs work without constant supervision COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U
5. Quality — Performs work accurately and thoroughly COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U
6. Dependability — Has satisfactory punctuality and attendance record COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U
7. Reliability — Completes and follows up on assigned tasks COMMENTS: ______________________________ ____	______S ______A ______G ______N ______U

PERFORMANCE FACTORS	CATEGORIES
8. Creativity — Proposes new methods and ideas COMMENTS: ______________________________ ______________________________	______S ______A ______G ______N ______U
9. Follows Policy — Safety and conduct rules, housekeeping, and other regulations are followed COMMENTS: ______________________________ ______________________________	______S ______A ______G ______N ______U
10. Working Relationships — Communicates and cooperates with supervisors, subordinates, co-workers, and the public COMMENTS: ______________________________ ______________________________	______S ______A ______G ______N ______U
11. Behavior — Uses proper judgement and courtesy, exhibits stability and proper personal appearance COMMENTS: ______________________________ ______________________________	______S ______A ______G ______N ______U

SUMMARY STATEMENTS:

1. Recognized accomplishments or training since last appraisal

____

____

2. Areas of needed improvement

____

____

____

3. Proposed professional development

____

____

____

OVERALL PERFORMANCE APPRAISAL:

COMMENTS: ________________________________

____

SUPERIOR ______

ABOVE AVERAGE ______

GOOD ______

NEEDS IMPROVEMENT ______

UNSATISFACTORY ______

EVALUATOR'S SIGNATURE ________________________

DATE _______________

EMPLOYEE'S SIGNATURE ________________________

DATE _______________

NOTE: To be completed jointly by supervisor and employee.

SUMMARY APPRAISAL 2

EMPLOYEE NAME ____________________

JOB TITLE ____________________

DEPARTMENT ____________________

LOCATION ____________________

DATE ____________________

Both the evaluator and employee will indicate perceived ranking levels. Consensus ranking will be tabulated based on the average of these two ranking levels. Use the following scale to indicate employee performance:

5 — Performance consistently above expectations

4 — Performance frequently above expectations

3 — Performance at expected level

2 — Performance frequently below expectations

1 — Performance consistently below expectations. Improvement mandatory.

PERFORMANCE CRITERIA

1. Technical Knowledge

   Employee Ranking ____________

   Evaluator Ranking ____________

   Consensus Ranking ____________

2. Oral Communications

Employee Ranking ____________

Evaluator Ranking ____________

Consensus Ranking ____________

3. Written Communications

Employee Ranking ____________

Evaluator Ranking ____________

Consensus Ranking ____________

4. Listening

Employee Ranking ____________

Evaluator Ranking ____________

Consensus Ranking ____________

5. Planning/Organization

Employee Ranking ____________

Evaluator Ranking ____________

Consensus Ranking ____________

6. Attention to Detail

Employee Ranking ____________

Evaluator Ranking ____________

Consensus Ranking ____________

7. Motivation

Employee Ranking ________

Evaluator Ranking ________

Consensus Ranking ________

8. Initiative

Employee Ranking ________

Evaluator Ranking ________

Consensus Ranking ________

9. Sales Ability/Persuasiveness

Employee Ranking ________

Evaluator Ranking ________

Consensus Ranking ________

10. Safety

Employee Ranking ________

Evaluator Ranking ________

Consensus Ranking ________

SUMMARY RANKING:

Employee Ranking ________

Evaluator Ranking ________

Consensus Ranking ________

Comments: ____

____

OVERALL PERFORMANCE RANKING: ____________________

EVALUATOR'S SIGNATURE ____________________

DATE ____________________

EMPLOYEE'S SIGNATURE ____________________

DATE ____________________

NUMERICAL VALUE RATING SHEET

EMPLOYEE NAME ____________________

DATE ____________________

JOB TITLE ____________________

DEPARTMENT ____________________

Each descriptor listed under the appraisal categories is given a numerical value. Select the term which best describes the employee's performance and place that value next to the corresponding category number on the response sheet.

Part I

1. JOB KNOWLEDGE

Fails to initiate learning of certain work phases	-2
Is able to answer most questions about job	+1
Shows understanding of all work phases	+5
Shows mastery of all work phases	+10

2. ACCURACY

Is careless	-5
Makes errors frequently	-2
Accurate most of the time	+2
Almost always accurate	+5

3. ALERTNESS

Slow to learn new skills	-2
Needs more than usual coaching/instruction	0
Receives instruction with average ability	+1
Quick to understand new skills	+5
Exceptional learning skills	+10

4. INITIATIVE

No goal setting	-5
Occasionally exhibits ambition/initiative	+1
Exhibits average goals	+2
Often offers suggestions/goals	+3
Exhibits initiative with high goals	+5

5. WORK OUTPUT

Fails to meet minimum requirements	-2
Meets minimum requirements	0
Satisfactory output	+1
Output often more than is required	+5
Superior work output	+10

6. DEPENDABILITY

Unreliable	–5
Requires more than average supervision	0
Usually reliable and prompt	+2
Requires little supervision	+5
Totally reliable	+10

7. COOPERATION

Uncooperative	–5
Assists others occasionally	+1
Cooperates with others	+2
Frequently acts as leader in assisting others	+5
Consistently acts as positive influence	+10

8. STABILITY

Gives in to pressure	–2
Becomes irritated easily	–1
Usually remains calm	+2
Performs well under pressure	+3
Consistently remains poised	+6

9. FRIENDLINESS

Is distant and removed from others	–2
Often has changing moods	–1
Is usually approachable	0
Friendly to others	+2
Reaches out to others	+3
Is overt and sociable	+5

10. COURTESY

Is rude	–5
Is tactless	–3
Is pleasant	+2
Is polite and willing to help	+3
Is extremely helpful and pleasant	+6

11. PERSONAL APPEARANCE

Dresses inappropriately	–1
Occasionally sloppy in appearance	0
Appropriately dressed	+3

12. PHYSICAL FITNESS

Frequent health problems inhibit performance	0
More than average number of illness days	0
Meets job's physical requirements	+2
Performance never inhibited by health problems	+6

13. ATTENDANCE

Absences are excessive	–5
More than average absences	–2
Rarely absent	+4
Perfect attendance	+6

14. TARDINESS

Has excessive tardies	–5
Has above average tardies	–2
Is usually on time	+2
Is rarely late	+4
Is never late	+6

15. HOUSEKEEPING

Is disorganized and careless	0
Is sometimes messy	0
Is usually neat	+1
Is always neat	+3
Is exceptionally organized and neat	+4

16. OVERALL EVALUATION (Check one)

Below Average ______ Average ______
Above Average ______ Outstanding ______

Part 2

Tally the scores by placing the value you assigned each category in the corresponding column.

Category	Evaluator	Employee
1. Job Knowledge	______	______
2. Accuracy	______	______
3. Alertness	______	______
4. Initiative	______	______
5. Work Output	______	______
6. Dependability	______	______
7. Cooperation	______	______
8. Stability	______	______
9. Friendliness	______	______
10. Courtesy	______	______
11. Personal Appearance	______	______
12. Physical Fitness	______	______
13. Attendance	______	______
14. Tardiness	______	______
15. Housekeeping	______	______
TOTAL POINTS	______	______

EVALUATOR'S COMMENTS

____

____

____

EMPLOYEE'S COMMENTS

____

____

____

HAVE PREVIOUSLY SET GOALS BEEN MET?

YES ______ NO ______

HAVE NEW GOALS BEEN ESTABLISHED?

YES ______ NO ______

EVALUATOR'S SIGNATURE ________________________

DATE ________________________________

EMPLOYEE'S SIGNATURE ________________________

DATE ________________________________

PERFORMANCE CONFERENCING CHECKLIST

1. Provide a relaxed atmosphere, putting the employee at ease.
2. Identify the main topics or objectives of the conference.
3. Review performance appraisal objectives.
4. Provide opportunity for employee to do performance self-evaluation.
5. Describe and discuss a summary of the performance appraisal.
6. Attempt to arrive at mutually agreed conclusions.
7. Offer praise and define expectations, including goal setting and date of next appraisal.

TWO-WAY PERFORMANCE REVIEW
(Facilitating Growth)

- Both parties are committed to be open and honest without repercussions.
- It is a constructive learning experience for both employer and employee.
- The employee is asked if the supervisor is providing training, support, and encouragement.
- What can we, as supervisors, do to facilitate employee performance?
- Supervisors should be willing to accept criticism objectively.

GOAL IDENTIFICATION SHEET

Today's Date: _______ Target Date: _______
Completion Date: _______

GOAL STATEMENT: ______________________________

STEPS TOWARD ACHIEVING THIS GOAL: ______________________________

POSSIBLE OBSTACLES:	WAYS TO AVOID OR REMOVE OBSTACLES:

MOTIVATIONS TO ACHIEVE THIS GOAL:

EMPLOYEE COUNSELING RECORD

EMPLOYEE'S NAME ______________________________

DATE OF NOTICE ______________________________

Written ______ Verbal ______

This counseling record is being issued for the following reason(s):

______1. Loyalty

______2. Quality of work

______3. Attendance

______4. Safety

______5. Personal matters during business hours

______6. Damage to equipment or materials

______7. Carelessness

______8. Tardiness/Leaving Early

______9. Overtime Refused

_____10. Absence from Work area

Previous Counseling Records:

	Date	Written	Oral	Person Reporting
1.				
2.				
3.				

Employer's Comments:

____

____

Resulting Disciplinary Action:

____

____

Employee's Statement:

____

____

Employer's or Supervisor's Signature

____

Date ____________________________________

Employee's Signature ____________________________

Date ____________________________________

_____ Employee refused to sign this notice.

Witness __________________________________

NOTE: Employee signature not required on verbal counseling records.

SEPARATION/EXIT INTERVIEW

(To be completed by Supervisor/Employer during interview)

EMPLOYEE NAME ____________________________

TITLE _______________________

RESIGNATION?______ DISMISSAL? ______

DATE NOTICE GIVEN? ________________

LAST SCHEDULED WORKING DAY ____________

Check the column that corresponds to the employee's perception of the following employment aspects. Confidentiality will be maintained.

Aspect	Very Satisfied	Satisfied	Dissatisfied	Very dissatisfied
Knowledge and skill use	_____	_____	_____	_____
Training/Development	_____	_____	_____	_____
Advancement opportunities	_____	_____	_____	_____
Salary	_____	_____	_____	_____
Benefits	_____	_____	_____	_____
Performance	_____	_____	_____	_____
Appraisals	_____	_____	_____	_____
Environment	_____	_____	_____	_____
Supervision				

What was your relationship with your immediate supervisor?

____

____

Were concerns/complaints communicated to your supervisor? ____

Describe in detail how these concerns were resolved.

If resolution is yet possible, what steps would you suggest?

Employee Signature ______

Date ______

Comments ______

Supervisor/Employer Signature ______

Date ______

______ Employee refused to sign

Witness ______

POSITIVE DISCIPLINE

Performance effectiveness is directly dependent on positive discipline. Positive discipline may include the following:

1. Conferencing between employee and supervisor to identify concerns and find mutual ground on which to conduct in-depth conversations as to employee's performance
2. Understanding and acknowledgement on the part of the employee of a need for improvement in attitude and/or work habits
3. An improvement plan devised by the employee and approved by the employer
4. Specific expectations cited
5. Supervisor carefully documents performance
6. Intermittent supervisory reviews and conferences
7. Set a time line to meet goals
8. Notification of employee concerning repercussions if goals are not met
9. Appropriate notice should be given if demotion or termination becomes necessary

Influencing factors to consider while defining the problem and the solution are:

1. Mutual obligations including ethics, responsibilities, and individual rights
2. Conformity expectations:
    a. Organizational
    b. Informal work group

   c. Outside community

3. Open communication
4. Personal efforts toward education and consultation
5. Emphasis placed on competition and/or cooperation
6. Goal identification
7. Team management practices

Positive discipline should contribute to employee creativity, self-satisfaction and output.

POSITION DESCRIPTION GUIDELINES

A position description offers specifications for recruitment, selection, training, performance appraisal and merit rating purposes. These specifications may be detailed on forms pertaining to each of the above purposes.

The description outlines only the characteristics of the work as generally applies within the organization. It can be used as a basis of comparison when determining the relative ratings of jobs.

Headings within the job description should be in standardized terms. A printed reservation should state that duties are not limited to the job description. Similar phrases are used when listing comparable abilities, responsibilities, conditions, or activities.

PERSONNEL POLICIES CHECKLIST

___Absenteeism
___Accidents
___Accidental death or disability
___Annual leave
___Bereavement leave
___Bonuses
___Breaks
___Casual labor
___Check cashing
___Collections and solicitations
___Compensation
___Confidential information
___Cost-of-living adjustments
___Counseling
___Court leave
___Credit union
___Death of employee
___Dress code
___Election day
___Employee benefits
___Employee records
___Employment agency fees
___Employment of relatives
___Exit interview
___First aid
___Garnishment
___Gifts
___Grievances
___Health insurance
___Holidays
___Incentives
___Involuntary termination
___Job descriptions
___Job training
___Leave of absence
___Leave without pay
___Life insurance
___Military leave
___Moving expenses
___Office equipment
___Office hours
___Office security
___Outside employment
___Overtime
___Parking
___Payday
___Payroll deductions
___Performance evaluation
___Permanent, full-time employees
___Permanent, part-time employees
___Personal conduct
___Posting of job openings
___Probation
___Promotion
___Recruitment and hiring
___References
___Retirement
___Salary review
___Seniority
___Severance pay
___Sick leave
___Smoking
___Suggestions
___Tardiness
___Telephone usage
___Testing
___Transfers
___Transportation expenses
___Travel advances
___Travel insurance
___Unemployment compensation
___Unsatisfactory performance
___Visitors
___Voluntary termination
___Weather
___Workers compensation
___Working conditions

ACTIVITY SHEET 1

TRAINING, MOTIVATION, AND SUPERVISION

VI

OBJECTIVE 11 **Prepare an orientation checklist for new employees.**

INTRODUCTION It's a good investment to introduce new employees to your company's practices, policies, and procedures during the first week of employment. A well-prepared orientation process will ease the employee's adaptation to a new situation and will help prevent accidents and errors that often accompany the first few weeks of a new job.

DIRECTIONS Use the sample orientation checklist on the next page as a model for your own checklist. Additional topics might include:

Group life insurance

Overtime premium pay

Union membership

Bulletin board usage

Telephone usage

Smoking area/policies

Probationary period

Social activities in the office

EMPLOYEE ORIENTATION CHECKLIST

Employee ______________________________ Position ______________

Orientation completed by ____________________________ Date __________

Initial each topic when you have finished discussing it with the employee. When all topics have been covered, the employee shall sign the statement verifying that he/she has been informed of all company policies. This form should be placed in the employee's personnel file.

WORK POLICIES

Hours ____
Location of work schedule ____
Appropriate dress ____
Parking facilities ____
Store facilities ____

SAFETY

Store safety rules ____
Location of first aid ____
Reporting personal injuries ____
Safe use of tools and equipment ____
Safety precautions ____

PAY POLICIES

Salary/Pay scale ____
Pay period ____
Pay day/time ____
Deductions ____
Pay will be received from:

____

OTHER

____

BENEFITS

Insurance ____
Holidays ____
Vacation policy ____
Stock options ____
Employee purchases ____

CUSTOMER RELATIONS

Basic policies/procedures ____
Reporting customer accidents ____
Shoplifting ____
Returns ____

MISCELLANEOUS

Procedure for absence/tardiness ____
Pilferage ____
Housekeeping ____
Vendor relations ____
Job training ____

OTHER

____

____

I have been informed about the topics above and understand that I am responsible for following these procedures.

____
Employee's signature

ACTIVITY SHEET 2

TRAINING, MOTIVATION, AND SUPERVISION

VI

NAME ______________________________

OBJECTIVE 12 **Develop a performance appraisal.**

INTRODUCTION Assessing employee performance *and documenting it* is one of the most critical functions of supervision. Documentation is essential for disciplinary action of any kind, and, more important, it offers a concrete basis for discussing an employee's performance and improvement.

DIRECTIONS Part 1 — Analyze and compare performance appraisal forms.

1. Meet in one of three equal-sized groups and select a spokesperson.
2. Evaluate one of the performance appraisal forms in Supplements 1, 2, or 3.
3. Compare the evaluation form to the list of performance factors in Objective 3.
4. Make a checklist of the criteria included and omitted.
5. Evaluate the appraisal form and reach a group consensus on its overall usefulness.
6. Listen carefully as each spokesperson presents his group's analysis.
7. Compare and contrast the three forms in a discussion with the whole group.

Part 2 - Develop your own form.

Using the criteria listed in Objective 3 and the sample forms in Supplements 1, 2, and 3, develop a form applicable to your own business. You may:

- Adapt one of these forms to your business
- Combine desirable elements of two or more forms
- Develop a new form

Develop your form with the following considerations in mind:

- Addresses all the criteria important to the specific employee expectations and values operating in your business.

  NOTE: A clear statement of your expectations will help employees adjust their behavior, set goals, and improve weak areas.

- Enables the supervisor to evaluate objective criteria and allows subjective evaluations where appropriate.

- Describes specific *behaviors*

  EXAMPLES: Avoid vague terms such as "good attitude" and "bad attitude". Rather, use more descriptive terms such as "maintains a pleasant attitude," "works well with others," "is alert and responsive," "greets customers with enthusiasm," and "uses effective sales techniques."

- Is easy to fill out.

ACTIVITY SHEET 3

TRAINING, MOTIVATION, AND SUPERVISION

VI

NAME ____________________________

OBJECTIVE 13 **Compare employer and employee motivational factors.**

INTRODUCTION While the factors which motivate individual employees may be many and diverse, the effective supervisor will be quick to recognize the motivational elements which result in the greatest production output for the organization. The organizational climate does much to determine which motivational drives are satisfied, and, to a large extent, indicates the quality of production.

There are three motivational factors consistently mentioned in various forms of management assessment. These are: increasing profit, reducing cost, and keeping the organization operating.[*] However, in evaluating particular motivational factors, as interpreted by employees, rather than employers, priorities shift.

DIRECTIONS Number the motivational factors in the order of their priority as you would rate them and as believe your employees would rate them.

	You	Employees
1. Good working conditions	______	______
2. Feeling "in" on things	______	______
3. Job security	______	______
4. Promotion and growth	______	______
5. Good pay	______	______
6. Company loyalty to workers	______	______
7. Tactful discipline	______	______
8. Appreciation of work	______	______

---

[*] Periodicals such as "Personnel Management" or "Harvard Review" substantiate these identified priorities.

	You	Employees
9. Help on personal problems	______	______
10. Interesting work	______	______

TRAINING, MOTIVATION, AND SUPERVISION

NAME ______________________________

OBJECTIVE 14 **Analyze the steps of on-the-job training in a practical situation.**

INTRODUCTION Having considered the important elements of on-the-job training, application to a practical situation can illustrate the interactions among co-workers, supervisors and subordinates. Just as practice is important in training an employee, so is practical application necessary to begin to realize the dynamics involved in communicating the needed training.

DIRECTIONS Read over the case study. Consider carefully each character's responsibility as it relates to on-the-job training. Develop well-supported answers to the three questions listed below.

CASE STUDY

Bill Monroe, an experienced electrician, glanced up from his work when he heard someone approaching. Gene Phillips, the Maintenance Chief, spoke to him. "Come on," Phillips said abruptly. "The new motor has broken down. I need to show you how to fix it."

As the two walked into the plant, Bill could tell the motor had quit running. Several of the workers stood anxiously nearby. The motor had been in the plant about a week, and, while Bill had seen it, he did not assist in its installation. In fact, though he had eighteen years of experience, he felt unequipped to tackle this new equipment.

Nearing the motor, the Maintenance Chief spied Sam Lackland, the production foreman, and moved immediately over to talk to him. Bill was unable to hear the conversation, but Phillips turned back to Bill shortly. "We have discovered the problem, Bill," Gene said with confidence. Then the Maintenance Chief moved over closer to the motor and removed an outside panel. He shoved the panel in Bill's direction and Bill turned to find a spot to lay down the panel. As Bill began to turn back around, he heard the motor start to purr. "We will have to check that possible defect soon," Phillips said. He looked satisfied as he hurried back to other business in his office, with not another word directed toward Bill Monroe. Monroe picked up the panel to replace it, complaining about lack of communication as he did so.

Barely a week passed and the motor again stopped. With the chief out of town, Lackland moved quickly toward where Bill was working. "I need you right now, Bill. Hurry! The motor is malfunctioning again, and production is down."

DISCUSSION QUESTIONS

1. Can you predict the next event of this story?
2. What caused Bill Monroe to complain about a lack of communication?
3. What would be appropriate on-the-job training steps for the supervisor to use in acquainting an experienced worker with a new task?

TRAINING, MOTIVATION, AND SUPERVISION

NAME ______________________________

OBJECTIVE 15 **Prepare an on-the-job training plan.**

INTRODUCTION On-the-job training means actual, prepared instructions. No one benefits from a "sink or swim" approach, nor from an unfocused or generalized training session. The more carefully prepared, more logical, more clearly communicated your OJT sessions are, the faster your employees are earning their keep.

DIRECTIONS Using the categories and steps below, prepare an on-the-job training program for one aspect of your business. Write specific steps or objectives in the right-hand column. If you need more space, use the back of the page.

Instructor preparation 1. Create a lesson plan based on logical parts. 2. Determine instructional techniques.	
Trainee preparation 1. Put trainee at ease. 2. Establish personal gain to be had from training. 3. Identify existing skills and knowledge.	

Present the task 1. State the objective. 2. Progress from easy to difficult tasks. 3. Monitor and adjust for individual differences. 4. Explain task step-by-step. 5. Request feedback from trainee to check understanding.	
Supervise practice 1. Observe while trainee performs task. 2. Ask for verbal explanation of task. 3. Provide feedback on performance.	
Reinforcement 1. Offer praise for learning. 2. Allow for questions. 3. Gradually reduce frequency of supervision and praise/correction.	

ACTIVITY ANSWERS

TRAINING, MOTIVATION, AND SUPERVISION

VI

ACTIVITY SHEET 1

Response should include reasonable topic in the orientation sessions, specific to the client's business

ACTIVITY SHEET 2

Check that the form:

- Includes a reasonable selection of the criteria in Objective 5.
- Addresses all the criteria important to the specific employee expectations and values operating in your business.
- Enables the supervisor to evaluate objective criteria and allows subjective evaluations where appropriate.
- Describes specific *behaviors.*
- Is easy to fill out.

ACTIVITY SHEET 3

Anticipated employee responses may coincide with or differ from those of employers. The clients are to participate in a follow-up discussion of significant motivational factors as identified by their responses.

ACTIVITY SHEET 4

1. This is an open-ended question. Answers should be supported by substantial reasoning.
2. The one-time exposure to training was abrupt and incomplete. No further training had been offered.
3. Refer to principles listed under Objective 10.

ACTIVITY SHEET 5

Clients should develop reasonable, logical instructional strategies for on-the-job training for the list of categories and items.

OBJECTIVE SHEET

MARKETING AND MARKET RESEARCH

VII

INTRODUCTION

What is required for a successful business? Basically only three things: a seller, a product or service, and a customer. For a business to succeed or grow, it must meet the needs and demands of the customers. But how does the business owner know if display, pricing, location, advertising, and inventory meet those needs? What happens if they don't? Through marketing, a business owner can identify clientele and tailor business decisions to attract and keep those customers.

UNIT OBJECTIVE

After completing this unit, the client should be familiar with the uses of marketing and market research and understand marketing and research methods. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with marketing and market research.
2. Define the term "marketing."
3. List effective marketing plan requirements.
4. Arrange in order steps in developing a marketing plan.
5. Discuss information that can be discovered through market research.
6. State situations in which market research should be used.
7. List small business market research methods.
8. Arrange in order steps used to conduct market research.
9. Conduct market research on your customers. (Activity Sheet 2)
10. Compile market research results. (Activity Sheet 1)

SUGGESTED ACTIVITIES

MARKETING AND MARKET RESEARCH

VII

PREPARATION

- Review the unit and plan your presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine the scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a market research specialist, advertising specialist, or entrepreneur to discuss the role of marketing in small business.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover.

DELIVERY

Objective 1 Define terms associated with marketing and market research.

Objective 2 Define the term "marketing."

- Begin the class with Transparency 3.
- Have clients brainstorm on the uses, aspects, and types of marketing.
- Have clients compare marketing, advertising, and inventory selection.
- Use Supplement 1 and Transparency 3 as a basis for a discussion of small business attitudes toward market research.

Objective 3 List effective marketing plan requirements.

- Have clients list examples of each requirement.

Objective 4 Arrange in order steps in developing a marketing plan

- Have clients list details of how they have taken each step.
- Have clients brainstorm on what should be considered during each step.
- Have clients discuss why unexpected success as well as unexpected failure should be considered.

Objective 5 Discuss information that can be discovered through market research.

- Have clients discuss market research they have witnessed and what it was trying to determine.
- Have clients discuss why these may be helpful for the small business owner to know: marital status of customers, age of customers, address of customers, amount of customer leisure time.

Objective 6 State situations in which market research should be used.

- Have clients list other times market research may be helpful.
- Have clients brainstorm about why market research is helpful in each of these situations.

Objective 7 List small business market research methods.

- Have clients discuss other market research methods they have witnessed.
- Have clients suggest appropriate research methods for various businesses.
- Have clients complete Activity Sheet 1, if they have not. Each chosen method should be appropriate for the business it covers.

- Use Supplement 2 to illustrate the basic goals of market research.

Objective 8 Arrange in order steps used to conduct market research.

- Have clients discuss why each step is important.
- Have clients complete Activity Sheet 2.

APPLICATION

Objective 9 Compile market research results. (Activity Sheet 1)

Objective 10 Conduct market research on your customers. (Activity Sheet 2)

- Have clients list marketing changes they plan to make based on these results.

SUGGESTED RESOURCES

Media

- *Success Symposium*, P.O. Box 908, Arlington, Virginia 22216, 800-225-2468, 1989.
- *Winning Customers with a "Workable Plan."* Based on the $uccess Series, available from the Small Business Administration.

Publications

- Phillips, Michael and Salli Rasberry, *Marketing Without Advertising*. Nolo Press, Berkeley, California, n.d.

UNIT REFERENCES

- Bank of America, *Marketing Small Business*. Bank of America, San Francisco, 1986.
- Hawken, Paul, *Growing a Small Business*, Simon and Schuster, New York, NY, 1987.
- Laumer, J. Ford, Jr., James R. Harris, and Hugh J. Guffey, Jr., *Learning About Your Market*. Government Printing Office, Washington D.C., n.d.
- Little, Michael W., *Marketing Checklist for Small Retailers*. Government Printing Office, Washington D.C., n.d.

- Ryan, J.D, Lee A. Eckert, and Robert J. Ray, *Small Business, An Entreprenuer's Plan*, Harcourt Brace Jovanovich Pub., San Diego, CA, 1990.

- Scarborough, Norman, M., Thomas W. Zimmer, and William Naumes, *Effective Small Business Management*, Merrill Publishing Co., Columbus, Ohio, 1991.

- Smith, Ivan C., *Tips on Getting More for Your Marketing Dollar.* Government Printing Office, Washington D.C., n.d.

- Timm, Paul R., PhD, *Customer Relations, The Power of Customer Service*, Paul R. Timm, Inc., Orem, Utah, 1989.

- Walker, Bruce J., *A Pricing Checklist for Small Retailers.* Government Printing Office, Washington D.C., n.d.

OBJECTIVE 1

Match terms associated with marketing and market research.
(Transparency Master 1)

- **Advertising** — The use of media to present your product to the public
- **Customer profile** — A description of your customer base that examines such characteristics as who buys from your business, their annual income, where they live, their age, their shopping habits, and how they perceive the business
- **Marketing mix (Product/Service mix)** — Combination of products and services offered
- **Marketing plan** — Combines the goals of the company, the promotion policy, the advertising program, and advertising goals into an overall or comprehensive plan for the company's advertising and sales promotion
- **Marketing Research** — The scientific study of characteristics of an area and its people to identify product and service opportunities
- **Merchandising** — The broad range of retail activities including planning, budgeting, purchasing, packaging, and product presentation
- **Selling** — The marketing skill used to convince prospective consumers to purchase your product
- **Service story** — Defines the value of service to be rendered in terms of customer needs

OBJECTIVE 2

Define the term "marketing."

NOTE: Selling focuses on the business and the product; marketing focuses on the customer.

Marketing is the process of identifying customer wants or needs and tailoring a product or service to meet those wants or needs. This process involves four steps:

- Identification of customer wants or needs

- Response to those wants or needs
- Customer satisfaction with the product or service
- Profit-making

GUESSING ISN'T GOOD ENOUGH

When a small music store recently closed, visitors at the auction were surprised to find the shelves of one attic room filled with boxes of black go-go boots. For years, the boots were part of many bandmembers' uniforms, but for many more years they sat useless in inventory, providing no income for the owner.

So how is the business owner supposed to know what will sell and what will gather dust in storage? Market research. The scientific, statistically based study of what your customers want, what they don't want, and how their tastes are changing. With careful market research, business owners can predict when the latest fad begins its decline, which products are continuing in popularity, and what consumers expect from the business. Business owners can then tailor their advertising, pricing, displays, inventory, and services to fit the demands of their customers. Or they can guess. Anyone need a pair of boots?

OBJECTIVE 3

List effective marketing plan requirements.

- **Thought** — A thorough understanding of your customer's wants and needs
- **Organization** — Adjusting the many functions of your business to meet customer demands
- **Planning** — Showing customers that your business serves their interests
- **Measurement** — Reviewing the results of your actions
- **Strategy development** — Identifying new opportunities to serve customer demands

OBJECTIVE 4

Arrange in order steps in developing a marketing plan.

1. Identify your target.
   - What do you want to accomplish?

     NOTE: This must be specific. If you can't put it in writing, then give some more time and thought to it. Use numbers (500 units) rather than comparisons (more units, increased sales).
   - What time frame do you have in mind?
2. Determine key elements of the plan.

   NOTE: Key elements can revolve strictly around a service business or retail business supported by service.
   - Merchandise preparation
   - Advertising plans
   - In-house support
     a. Sales personnel training
     b. Sales incentives
     c. Merchandise display and signs
     d. Presentation of service story
3. Identify resources necessary.
   - Personnel and other human resources
   - Financial resources
     a. Capital
     b. Credit
4. Analyze risks.
   - What is the cost if the project fails?

- Develop an alternate plan for evaluation and amendment based on consumer response.

- Develop an alternate plan for rapid growth.

5. Plan activities to achieve goals based on Steps 3 and 4.

6. Assign responsibilities.

    - Identify who is responsible for pre-determined activities.

7. Establish a feedback chain.

    - On-going communication from sales staff to management

    - On-going communication from management to advisors

    - Special communication arrangements between owner and supplier (in case of unexpected success)

8. Insure that all key decision-makers have a consensus of opinions on the marketing plan.

OBJECTIVE 5 **Discuss information that can be discovered through market research.**

- Who are my customers?
- What will they buy?
- How much will they spend?
- What is the competition doing?
- Where do my customers live?
- What do my customers earn?
- Do my promotions work?
- What do customers and potential customers think of my business?

OBJECTIVE 6 **State situations in which market research should be used.**

- Prior to opening a business

- When sales decline
- When advertising campaigns fail to produce results
- When considering a new product or service mix
- Periodic evaluation of marketing mix
- Before expansion or relocation

OBJECTIVE 7 **List small business market research methods.** (Activity Sheet 1)

- Questionnaire or poll for
    - Current customers
    - Potential customers
    - Suppliers
- Informal research
    - Check sales receipts
    - Question sales personnel

One store manager wanted more information about the traffic in his store for future arrangement and display decisions. His unique solution was to distribute free peanuts to all customers. The shells were allowed to accumulate every day, and, after closing, he walked the aisles of his store. Those areas that got the heaviest traffic had a thick layer of accumulated shells. Where customers stopped, he found a pile of shells. He had to discount areas where customers waited in line or children looked at toys, but otherwise he got a clear indication of how each area of the store was doing and where changes were needed.

- Resource expertise
    - Trade journals
    - Professional Associations
    - Local or state Chamber of Commerce

  - Libraries
  - Universities and colleges
  - Federal agencies
  - Local government planning commissions
- Outside consultants or agencies

OBJECTIVE 8

Arrange in order steps used to conduct market research.
(Activity Sheet 2)

1. Identify the specific information you are seeking.
2. Survey available information, including sales and credit records and histories.
3. Review product history.
4. Ask employees for input.
5. Consult customers and suppliers for input.
6. Consult friends, competition, and other sources of information.
7. Collect information yourself or read research collected and published by others.
8. Organize data.
9. Interpret data.
10. Devise a strategy based on data.
11. Evaluate results.

MARKETING PITFALLS FOR SMALL BUSINESS OWNERS

Expense	Many small businesses are on tight budgets and owners may feel they can't afford formal market research. The real question is, can they afford to invest their time and money in anything the customer doesn't want?
A good sales person is better than marketing	A sales person, no matter how good, is only valuable to the business owner if sales are made. And sales are made only when the product or service is desired by the customers. How many Eskimos actually buy ice?
Our products will sell themselves	Even the greatest of products must be presented to the public. Optimism and belief in your product is great, but don't let it keep you from succeeding.
I have a feel for what my customers want	This approach is fine, except you won't know what they want until they ask (which means they saw it somewhere else and you don't have it in stock) and you won't know they don't want it anymore until you have it in stock and they are not buying.
We can beat the competition, no matter how big it is	The larger corporations have something small businesses don't: the ability to offer broad product lines at low prices. Small business owners who try to top large businesses can be priced right out of the game. What small businesses have is flexibility. They can focus on special needs or offer special services. These gaps left by large businesses can be easily uncovered through market research.
My advertising will sell my product — I don't need anything else	Nothing sells a bad product, poor service, or bad management. Even the best campaign only sells the product once. If customer standards are not met, there will be no repeat sales. Market research ensures that the small business owner knows those standards and meets them before advertising draws the customers in. Remember, "Nothing kills a bad product better than good advertising."
I know what I need to price my merchandise at without all that stuff	If your prices are too high, customers will not shop at your store. On the other hand, if your prices are too low, you won't make the profit necessary to stay in business. Proper pricing depends on a variety of elements, including cost, competitor's prices, operating expenses, and profit goals. Market analysis ties all these together and considers what your target market is willing (or able) to pay.

I can sell my product anywhere

There are three rules of real estate: location, location, location. Nowhere are these rules more important than in business. If your customers can't find you, or if you're too far out of the way, they'll go elsewhere. Manufacturing must be near qualified labor, transportation, and reasonably priced utility service.

MINDING YOUR P's AND O's

Mind your P's

or Reaching your Customers

Product

People

Place

Price

Promotion

Plan

Mind your O's

or Understanding your Customers

Know the purchases:

Object — **What is bought**

Objective — **Why is it bought**

Organization — **Who bought it**

Operation — **How is it bought**

Outlet — **Where is it bought**

Occasions — **When is it bought**

HAVE YOU EVER SAID...

"I can't afford any market research."

"I don't need marketing, I need someone who can sell."

"Our products sell themselves."

If you have, you need marketing information.

ACTIVITY SHEET 1

MARKETING AND MARKET RESEARCH

VII

OBJECTIVE 9

Conduct market research on your customers.

INTRODUCTION

Every business can benefit from market research. But, no single research method works best for all businesses. As a small business owner, you must determine what method is most efficient and effective for you.

DIRECTIONS

1. Determine what you want to know about your customers and their buying habits.
2. Determine what market research method is best suited to your business and market research goals.
3. Prepare a form for your research.
   - If a survey is to be taken, limit the form to one page, and word questions carefully to avoid bias.
   - If publications are studied, prepare a question list and a chart to compare opinions.
   - If informal research is done, construct a list of questions you plan to ask customers and sales personnel. Make a chart for their responses.
   - If the "peanut method" or similar plan is used, prepare several copies of store maps and a chart to compare daily results.
4. Conduct the research.
5. Tally responses.
6. Interpret what the patterns of responses indicate.
7. Evaluate results objectively. Attempt to get objective third party feedback on results.

OBJECTIVE 10 **Compile market research results.**

INTRODUCTION Small business is not just a smaller version of big business. One way they differ is that the small business owner knows his or her customers. Big business relies on extensive market research and demographics; small business relies on day-to-day contact with customers and an acquired "feel" for the business. This can be a strength of some small businesses, but it can be a weakness if the "feel" is flawed.

DIRECTIONS Complete the forms below, using your market research as a basis for your answers.

MARKETING

Marketing summarizes how the business anticipates reaching the market; who will sell which products to which customers at what price; product positioning in the market place; the business's policy regarding pricing, promotion, advertising, sales compensation, and product development efforts. There should be a clear understanding of the market to be addressed.

RESEARCH/EXPLORATORY

IDENTIFICATION OF MARKET SEGMENTS:

CUSTOMERS

It is crucial to identify the customers who are/will be utilizing the product/s or service/s of your business and to list the characteristics of a typical customer.

CLIENTELE: (List each separately)

Type of Business or Consumer	Name (if known)

Demographic variables help you to measure the characteristics of consumers: age, sex, ethnic background, family compensation, profession, occupation, social class and income are examples.

List the demographics of the *Primary* targeted customer group.

List the demographics of the *Secondary* targeted customer group.

What distances are customers willing to travel to purchase your product/s or service/s?

What distance are you willing to travel to sell to customers?

How many customers, (Target Group) reside within the geographical boundaries of the business area?

What number of potential customers will purchase the product/s or service/s offered by the business or a competitor?

What percentage of those will purchase from your business? (Market Share)

ASSESSMENT OF DEMAND

It is very critical to determine the annual purchases of the *average* customer and then calculate the sales volume of the business.

How many purchases does the average customer make during one year?

How much does the average customer spend for each purchase?

What is their total spending for one year?

Multiply the number of customers and their average amount of spending in one year to calculate the annual sales volume of the business.

What is your annual sales volume?

DESCRIPTION OF AREA OF OPERATIONS

Location is an extremely important factor for any business. For most retail and many small service businesses, their location may be critical to the success and survival of the business. In evaluating a location for retail and some service businesses, customer access is vital. For wholesale and manufacturing businesses, the availability of resources such as labor, materials, transportation and utilities are essential. It is often easier to describe your location to an outsider through the use of maps, pictures or its relationships in location to well known landmarks nearby.

What is the address of the business?

What features make this a good location for the business?

What nearby businesses help to attract customers?

What are the physical features of the structure?

What are the appearances of other adjacent businesses?

What renovations are needed, when will they be necessary and what are their costs?

What are the prospects for business growth in the area?

____

____

____

____

What are the terms of the lease or purchase contract for the location?

____

____

____

NOTE: Some leases require a percentage of sales, if applicable, based on projected sales volume to be paid as a part of the monthly lease payment.

What are the annual costs of the location?

Rent or Mortgage ____________________

Percentage of Sales (If applicable) ____________________

Property Taxes ____________________

Maintenance Repair ____________________

Insurance ____________________

Utilities ____________________

Association Dues ____________________

Common Area Maintenance ____________________

Other Costs ____________________

Total Annual Cost (Add above costs) ____________________

Square Footage ____________________

Total Cost Per Square Foot = $\frac{\text{Total Annual Cost}}{\text{Square Footage}}$ = ____________________

NOTE: A copy of the lease or purchase contract should be readily available, along with other legal documents that may be required for verification of the information contained in the business plan.

Names and addresses of at least four major direct competitors:

A. ______________________________

B. ______________________________

C. ______________________________

D. ______________________________

NOTE: Add additional names as may be determined to be useful.

List indirect competition:

____

____

____

____

____

COMPETITOR

AREAS OF COMPARISON	YOU	A	B	C	D
1) IMAGE					
2) LOCATION					
3) LAYOUT					
4) ATMOSPHERE					
5) PRODUCTS					
6) SERVICES					
7) PRICING					
8) ADVERTISING					
9) SALES METHODS					
TOTAL					

(Add down to determine the competitor's strength/s.)

NOTE: Remember to rank each on a scale of 1 (High) to 5 (Low).

List any changes that will improve your competitive position.

MARKET POSITION

What percentage of the target market is obtainable and why?

PRICING STRATEGY

NOTE: In the following questions, all references to products also apply to services.

How is the price calculated for each product?

What factor/s is/are considered in setting prices?

Which product/s sales is/are very sensitive to price changes?

Which product/s attract/s customers at sale prices?

How important is pricing in the overall marketing strategy?

What time of year is sales pricing important?

What are the discount policies of the business?

What time frame and pricing policy is used for slow-moving inventory?

PROMOTIONAL STRATEGY

What advertising media are/will be used, why, and at what cost?

What day/s of the week will you use various media?

What media are used for seasonal promotions?

Are direct mail promotions used and at what cost?

How is the merchandise displayed?

What special service/s is/are offered to the customers?

What type/s of payment options is/are offered?

How is returned merchandise processed?

____

____

____

____

How are customer complaints received?

____

____

____

MARKETING AND MARKETING RESEARCH

All activity sheets are designed to illustrate the importance of market research and to provide an opportunity for practical marketing experience for business owners. Evaluation should be based individually on the usefulness of the research done and the client's understanding and application of marketing principles.

OBJECTIVE SHEET

MERCHANDISING

VIII

INTRODUCTION

Merchandising skill can assist the retailer in operating a successful and profitable business. A lack of knowledge and skill in merchandising can cause a business to be stocked with items that move slowly and at minimal or no profit to the owner. Learning what will sell in a retail store in a certain location is essential to successfully merchandising goods. Keeping stock and inventory at adequate levels to meet consumer demands is an important part of merchandising.

UNIT OBJECTIVE

After completing this unit, the client should have an increased awareness of the key elements of successful merchandising and know how to use them to determine stock for a retail business. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with merchandising.
2. Describe the five categories of merchandise.
3. List the six phases of the fashion cycle in order of occurrence.
4. Discuss the tools a retail manager can use to control stock.
5. Define terms associated with merchandise buying.
6. Discuss practices that simplify merchandising.
7. Discuss the importance of merchandise display and arrangement.
8. Discuss the types and purposes of displays.
9. Discuss the five principles of design.
10. Discuss the different types of display arrangements and areas.
11. Discuss the use and effects of color and light on displays.
12. Describe a merchandise assortment, including breadth and depth for one product from your retail business. (Activity Sheet 1)

13. Discuss how merchandise sold by your business may be affected by the fashion cycle. (Activity Sheet 2)

14. Classify categories of merchandise from your retail business into the five major categories. (Activity Sheet 3)

15. Describe the basic inventory tools a merchandise manager uses to plan and control stock and discuss how they differ. Relate the merchandise in your store to these inventory tools. (Activity Sheet 4)

16. Compare the differences between central buying and buying independently, and the advantages of either system to your store. (Activity Sheet 5)

17. Describe the method used to determine what merchandise to stock, and possible ways to improve the selection. (Activity Sheet 6)

18. Create a display using the five principles of design. (Activity Sheet 7)

PREPARATION

- Obtain materials to supplement unit.

  NOTE: See Suggested Resources.

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Make transparencies from Transparency Masters 1-27.
- Invite a merchandise manager from a local business to talk to the class about merchandising.
- Invite a local merchandise buyer to talk to the class about the work they do both for the manufacturer and the retailer.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet, and any other components you want them to cover.

- Arrange time away from class to complete the Activity Sheets.

DELIVERY

Objective 1 Define terms associated with merchandising.

- Have the class name examples of fashion goods.

  EXAMPLE: Clothing in bright neon colors

- Have the class give an example of shopping goods.

  EXAMPLE: Refrigerator, computer

Objective 2 Describe the five categories of merchandise.

- Discuss merchandise categories and have the class compare the national brand and the generic brand of a product.

  EXAMPLE: Grocery items such as cereal or baking goods

- Discuss the type of product that is categorized as staple goods and ask the class to name some items that have become staple goods in the last ten years.

  EXAMPLES: Microwave products, computer supplies

- Have clients complete Activity Sheet 3.

Objective 3 List the six phases of the fashion cycle in order of occurrence.

- Use Transparency 1 and chart out the process a product goes through in the fashion cycle. Discuss each phase.

- Have the class name products that have re-entered the fashion cycle.

  EXAMPLES: Heavy frame eye glasses, certain clothing styles of the 50s and 60s

Objective 4 Discuss the tools a retail manager can use to control stock.

- Discuss the basic stock list and emphasize that it changes.

- Have several participants name the items their store runs out of due to heavy demand.

- Ask participants to tell the class the type of product that would go on a Never Out List for their store.

- Use Transparency 2 to discuss model stock plans.

- Have an example of the model stock plan to show while discussing the advantage of stocking from this type of list.

Objective 5 Define terms associated with merchandise buying.

- Discuss the advantages and disadvantages of different buying methods. Ask several participants to compare the methods they use or anticipate using.

- Have participants compare the advantages of working with buyers who are employed by wholesale suppliers, central warehouses, franchises, or are independent.

- Use Transparency 3 to discuss services of a resident buying office.

Objective 6 Discuss practices that simplify merchandising.

Objective 7 Discuss the importance of merchandise display and arrangement.

- Visit a local department store to note the space given to a few specific items.

  NOTE: Help the class to notice aspects of the display that can show how well the product is selling, such as how disturbed the items appear.

- Assist the class in understanding the importance of displays and particular merchandise arrangements.

- Point out products that are conspicuously displayed as sale or special merchandise.

- Discuss the logical sequence of products in several areas of the store.

  EXAMPLE: Automotive cleaning and maintenance items

- Use Transparency 4 to discuss selecting sources for merchandise.

- Use Transparency 5 to discuss arrangement of merchandise.

- Bring 3 × 5 cards to class and ask the class to outline the type of information that would be useful for a resource file for merchandise.

Objective 8 Discuss the purposes and types of displays.

- Show Transparencies 6 and 7 and discuss the various purposes of displays.
- Ask clients to discuss the purpose of displays they are using now and how they could use the other type in their businesses.

Objective 9 Discuss the five principles of design.

- Use pictures from trade magazines to demonstrate these design principles.
- Show Transparencies 8 through 13 and discuss them with the clients.
- Have clients discuss both the functional and the aesthetic aspects of each design principle and of the pictures that you present to them.

Objective 10 Discuss the different types of display arrangements and areas.

- Have clients identify the types of displays they are using now, on paper, in small groups.
- If possible, have clients bring photos of their displays to the session for an analysis of their strong and weak points and suggestions for improvement.
- Show Transparencies 14 through 26 and discuss them with clients.

Objective 11 Discuss the use and effects of color and light on displays.

- Color in Transparency 27 and demonstrate the way colors advance and recede.
- If you can get an actual color wheel, spin it and see what happens to the colors.
- Color in Transparency 27 and demonstrate the range of color scheme, triadic color scheme and complementary schemes.

- Look at adjacent colors and at the most popular or fashionable colors and color combinations at the time. Locate these on the wheel and discuss their relationships.

- Discuss how colors come in and out of fashion, just as styles do.

APPLICATION

Objective 12 Describe a merchandise assortment, including breadth and depth for one product from your retail business.

Objective 13 Discuss how merchandise sold by your business may be affected by the fashion cycle.

Objective 14 Classify categories of merchandise from your retail business into the five major categories.

- Use Activity Sheets 1-3 to help clients analyze and discuss merchandising in their own business.

- Provide material about a fictitious business and the merchandise assortment, including details about breadth and depth of merchandise.

- Discuss the fashion cycle and follow one product through all six phases.

Objective 15 Describe the basic inventory tools a merchandise manager uses to plan and control stock and discuss how they differ. Relate the merchandise in your store to these inventory tools.

- Use Activity Sheet 4 to discuss each of the inventory and stocking lists and methods used and point out differences.

Objective 16 Compare the differences between central buying and buying independently, and one advantage of either system to your store.

- Use Activity Sheet 5 to discuss buying from independent sources and from central sources. Point out products that could be obtained from each.

Objective 17 Describe the method used to determine what merchandise to stock, and possible ways to improve the selection.

- On the class trip, assist participants in recognizing gaps in merchandise.
- Point out the logical order of products and whether areas are well-stocked or not.
- Use Activity Sheet 6 to describe the method used to determine what merchandise to stock and possible ways to improve the selection.

Objective 18 Create a display using the five principles of design.

- Have clients complete Activity Sheet 7 over a reasonable time period.
- Put pictures of their displays on a bulletin board.
- Allow clients to discuss problems, joys, sorrows, and customer responses.

SUGGESTED RESOURCES

Publication

- Mills, Kenneth H. and Judith A. Paul. *Applied Visual Merchandising,* Prentice Hall, 1982.

UNIT REFERENCES

- *Display.* Oklahoma Department of Vocational and Technical Education, Curriculum and Instructional Materials Center, Stillwater, Oklahoma, 1989.

OBJECTIVE 1

Define terms associated with merchandising.

- **Fashion cycle** — The entire process from the origination of a style through the manufacturers' and retailers' efforts to make it available; there are six definite phases in the Fashion Cycle (see Objective 3, and TM 1)
- **Fashion goods** — Goods that are popular and can give the merchant good sales potential due to high markup and rates of sale; trends must be closely watched for these items
- **Merchandise** — Any goods a retailer can market for profit
- **Merchandising** — A broad term that includes the complete process of stocking a store; merchandising as a process starts with an idea and continues through a customer sale and the restocking of the shelf after a sale
- **Merchandise assortment** — Takes on a different meaning depending on the type of store, but refers to a balanced stock of goods that will appeal to most customers for the money invested

  EXAMPLES: For a men's clothing store, a merchandise assortment could include dress and casual clothes in S, M, L, XL sizes and the same color choices in each size. For an automobile dealership, a balanced stock might include a good selection of family size cars, economy and sports models, and regular and compact pickup trucks with a range of colors and accessories.

- **Merchandise breadth** — The variety of sizes, colors, patterns, prices and materials in a **style** or product
- **Merchandise depth** — The **quantity** of stock of any given item, identical in color, size, price and stock number
- **Shopping goods** — Expensive items that are purchased only rarely, such as cars and furniture

- **Stock** — All of the merchandise a retailer has on display or in inventory to offer for sale
- **Retailer** — A merchant who operates a business selling goods for a profit
- **Sales representatives** — The sales people who call on retailers to sell them goods from wholesalers; sales representatives may be independent or they may be employees of large manufacturers
- **Wholesaler** — A wholesaler buys directly from the manufacturer or is a representative of a large manufacturing company and can handle large quantities of goods thereby offering buying agreements to retailers who need smaller quantities at good prices

OBJECTIVE 2 **Describe the five categories of merchandise.**

- **Staple goods** — Everyday items that have continuous, steady demand; these items will change as new products receive the public's acceptance

  EXAMPLES: Motor oil, razor blades, frozen foods

- **Brand name goods** — Easily recognized, well-advertised items with widespread consumer acceptance

  EXAMPLES: Pepsi, Coke, Levis, Wrangler

- **Generic brands** — These are products with very plain, easily identifiable labels that usually tell only what is legally required; the products are satisfactory but may lack uniform quality; prices for the retailer can be up to 40 percent less than national or private labels; no promotional effort is required to sell generic brands
- **National brands** — These goods are distributed and available all over the country by a nationally known manufacturer; extensive advertising campaigns in the national media and on billboards and magazines make these products easily recognizable; a campaign is usually initiated to create demand following the development of a product

- **Private brands** — These are name brand items that may be packaged or produced by a middleman such as a wholesaler or retailer; private brands may cost the retailer 20 or 30 percent less than national brands, and vary little if any from them; no advertising costs are passed on to retailers, but retailers must absorb the cost of promotions and marketing; direct competition can often be avoided since other stores will not have the same exact item and brand

  EXAMPLES: Sears Kenmore and Craftsman, Wal-Mart, Target, K-Mart, Wards

OBJECTIVE 3 **List the six phases of the fashion cycle in order of occurrence.**

NOTE: There is a difference between style and fashion. Style comes from the ideas of a designer that become reality. It precedes fashion, which is actually the current style.

- New style is originated
- Manufacturers adapt new style
- Adapted style is popularized
- The style is produced and sold in mass
- Declines in popularity
- Style is abandoned

OBJECTIVE 4 **Discuss the tools a retail manager can use to control stock.**

A large part of successful merchandising involves good planning and the ability to adapt to change. The three basic tools a merchandise manager needs to utilize are:

- **Basic stock list** — A list of items that includes staple, everyday merchandise, with a steady day-in and day-out demand; these are usually the items a store routinely reorders as it runs out of them because of heavy customer demand; the list will constantly change

- **Never out list** — This list is used to help the retailer stay supplied with fast moving merchandise; fast-selling, high demand items must be fully stocked to keep from losing sales, money and customers

  NOTE: Four criteria exist for the never out List:

  1. An item must sell steadily with high demand.
  2. The item must have a profitable mark-up.
  3. The item must always be in stock.
  4. Highly advertised, promotional items must be fully stocked.

- **Model stock plan** — This list is used to help plan proper distributions when sizes and colors are factors in merchandise; it is especially valuable for planning fashion and shopping good assortments such as clothes and shoes; the retailer counts what is still shelved and orders to fill stock by this list.

  NOTE: See Transparency 2.

OBJECTIVE 5 **Define terms associated with merchandise buying.**

- **Central buying** — Usually refers to fashion merchandise buying in a franchise situation; from a weekly report sent in by the retailer, the central office makes recommendations of what and how much merchandise to send to each store; a Central Office will also instruct retailers on when and how much to mark down seasonal goods
- **Independent buyer** — An independent buyer is not employed by a particular company and can deal with wholesalers to assist retailers in selecting merchandise usually on a commission basis
- **Listing system** — Under the listing system, stores are allowed to order their stock from approved lists of goods held at a central warehouse; listing systems are usually used by franchise operations

- **Market buying** — Large cities (Dallas) have facilities for market shows where manufacturers present their products in efforts to gain sales to wholesalers and independent retailers

  NOTE: *Women's Wear Daily* lists market shows for wholesale and retail clothing buyers. Trade magazines from other businesses will list markets for their own areas.

- **Requisition system** — Also called a central warehouse system, the requisition system is used by a large number of stores that order from a central warehouse; the retailer decides whether or not to stock items and determines inventory and pricing; a number of buying co-ops exist for small retailers and some warehouses will sell C.O.D. to independent stores

- **Residential buying offices** — Located near large market facilities, Residential Buying Offices have buyers who work for a fee; the buyer may work as an independent or may be an employee of a franchise or wholesale supplier

  NOTE: See Transparency 3.

OBJECTIVE 6 **Discuss practices that simplify merchandising.**

After a retailer determines what type of store to operate, decisions must be made concerning the type of merchandise that will be sold. These decisions involve many things such as finding out what will sell in the area, where to buy merchandise, how to pay for merchandise, what the customers want, what other stores are selling or not selling, and how to keep track of what is selling for future decision making.

- **Resource file** — Retailers, especially independent retailers, can simplify the decision-making process by making a file using 3 × 5 cards that contain notes on various sources of merchandise. For retailers who special order for customers, this is a must.

  NOTE: See Transparency 4.

- **Visit other stores** — By visiting other stores in the area to see what they are selling and how well certain items sell, the retailer can gain information about merchandise to stock.

  NOTE: The amount of space given to an item and how much a display has been disturbed will often show how well an item is selling.

- **Market research** — Refer to information discussed in Unit VIII.

OBJECTIVE 7 **Discuss the importance of merchandise display and arrangement.**

As you know, there is a direct correlation between display and sales.

Customers expect a well-lighted, clean store with attractive displays. They also expect:

- **Logical sequence** — Customers deserve and expect to see some logic to the way products are arranged.
- **Well stocked** — Pegboards and shelves should be filled and areas that are low in items should have those items pulled to the front of the shelf or pegboard. Employees should do this continually in their assigned areas and then restock and straighten at closing time.
- **Conspicuous display** — Sale, seasonal, and fast-moving merchandise should be displayed in a prominent place such as at the end of an aisle or counter or at the front of the store.
- **Like merchandise together** — Consumers expect to see items arranged with other items that are similar, such as screwdrivers with tools, and bath towels with hand towels.

  NOTE: See Transparency 5.

OBJECTIVE 8 **Discuss the types and purposes of displays.**

Merchandise can be presented and promoted in two types of displays, promotional or institutional. Each has a different purpose.

- **Promotional displays** — Promotional displays can use any holiday, season, activity, or event for a display theme. Wedding displays are almost always used in May and June, while, of course, Christmas themes are used in December.

  Promotional displays are used to increase sales and follow the same steps as a sale. They should:

  - Attract attention
  - Create interest
  - Create desire
  - Promote a conviction to buy
  - Bring about action to buy

  NOTE: See Transparency 6.

- **Institutional displays** — Used to promote the feeling that the store cares about the community and the people in it. The institutional display may not be related to the business itself or any products sold in the business. It is designed to build customer confidence and loyalty.

  NOTE: See Transparency 7.

OBJECTIVE 9 **Discuss the five principles of design.**

Design is a both an aesthetic (feeling-oriented, pleasing) and functional process. You want to create a visual expression that is attractive, that shows your products to their best advantage, and that leads the eye to look at everything included in the display. Learn to consider and use the five principles of design to integrate all the elements in a display into a pleasing, effective presentation.

Following these principles can arouse pleasant feelings and attitudes toward your business and your product.

- **Balance** — The distribution of items in the display. There are two types, **formal** and **informal** balance. In **formal** balance, the left half of the display is a mirror image of the right half. Informal balance is used in a display to achieve balance among items that are different in size, shape, or some other element. **Informal** balance is visual balance in which different elements are creatively assembled to make the total display appear balanced to the viewer's eye. Tall items at the back and short items closer to the front, wide pieces contrasted with narrow, and different color combinations can create an effect that guides the eye and creates a feeling of balance and harmony.

  NOTE: See Transparencies 8 and 9.

- **Emphasis** — The dominant area of the display; the focus. The emphasis may be communicated with mass: the biggest part; placement: front and center; color: the brightest, the most intensive colors, or by contrast, the softest colors in the grouping; and by spacing: leaving an open area around the emphasized grouping or product.

  NOTE: See Transparency 10.

- **Rhythm** — Repeating features at regular intervals or patterns; the flow of the display. Rhythm can be created in the same ways as emphasis: Repeated small groupings around the central display; repeated color tones; placing items at the same angle or at the same height; leaving the same amount of space between items.

  NOTE: See Transparency 11.

- **Proportion** — The relationship of one item to another with respect to size. There are "natural" proportions that "look right" to the eye. You know them instinctively: 5" x 7", 8" x 10", writing spaced 1/3 down from the top of the page, etc. The size of the display area determines the size or number of items in the display. It is particularly evident in a pyramid, step, repetition, or zigzag display (See Objective 10).

  Relationships within natural ranges are pleasing and attractive. Unnatural or arbitrary proportions make us feel uncomfortable.

  NOTE: See Transparency 12.

- **Harmony** — The integration of all the elements of the design to create a pleasing, unified effect. Harmony means that no portion or portions overwhelm others by having or not having balance, emphasis, rhythm, and proportion. Harmony is a sense of "neither too much nor too little," and it generates feelings of wholeness and "rightness."

  NOTE: See Transparency 13.

OBJECTIVE 10 **Discuss the different types of display arrangements and areas.**

Display arrangements.

- **Step** — Objects placed at equally different heights to give the effect of stairs

  NOTE: See Transparency 14.

- **Pyramid** — Displays merchandise in a triangle shape

  NOTE: See Transparency 15.

- **Zigzag** — A variation of the step arrangement in which the up and down movement of the merchandise creates an informal balance

  NOTE: See Transparency 16.

- **Repetition** — Repeated design which allows spacing and direction of the merchandise to be repeated over and over in the display

  NOTE: See Transparency 17.

- **Radiation** — An arrangement that contains a center line and lines which go out (radiate) from that center, as in a star burst, a wheel and its spokes, or rays coming from the sun

  NOTE: See Transparency 18.

Window arrangements

- **Closed** — Has a full background panel and separates the store interior and the display window

  NOTE: See Transparency 19.

- **Semi-closed** — May have a panel going halfway up the back of the display; often seen in drugstores or hardware stores

  NOTE: See Transparency 20.

- **Open** — Has no background panel and allows customers to see all of the store. In essence, the entire store becomes part of the display, and therefore draws the customer into the store to examine merchandise that can be seen beyond the display. The open window has become the most popular arrangement.

  NOTE: See Transparency 21.

Miscellaneous display areas

Open displays show merchandise so that the customer can touch it. Enclosed displays prevent the customer from handling the merchandise.

- **Island or open display** — An open display such as a table or counter; used most effectively in high traffic areas.

  NOTE: See Transparency 22.

- **End display** — An open display placed on racks or shelves at the end of aisles of related merchandise; provide easy access and are seen as the customer walks down the aisles.

  NOTE: See Transparency 23.

- **Shadow box display** — An enclosed box, usually built into a wall or placed on a counter or ledge. It is most often used to display small items such as jewelry, shirts, shoes, or notions.

  NOTE: See Transparency 24.

- **Suspended displays** — Merchandise or props hung from various positions

  NOTE: See Transparency 25.

- **Point-of-purchase displays** — Usually smaller display items placed near the cash register so they will be seen as the customer prepares to leave the store. They may be provided by vendors or may be created within the store to promote specific merchandise.

  NOTE: See Transparency 26.

OBJECTIVE 11 **Discuss the use and effects of color and light on displays.**

Colors are classified as warm (yellow, beige, red, pink, orange) or cool (blue, green, violent, black, dark brown) and as advancing (seeming to move toward you) or receding (seeming to move away from you). Some colors are warm and advancing, while others are cool and receding. Warm colors are more quickly seen and often draw the eye faster than cool colors. Which type would be more effective in displays?

You can use a color wheel to show which colors will blend or complement each other to create a pleasing effect.

NOTE: See Transparency 27.

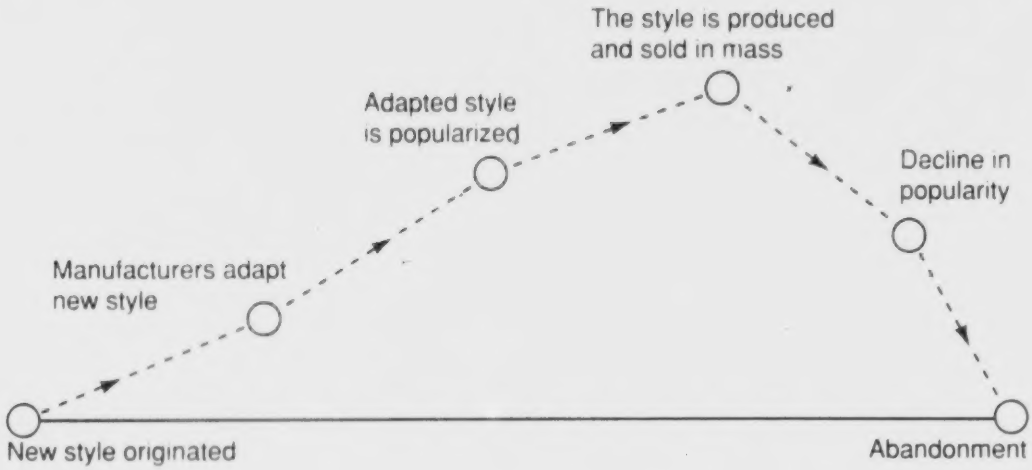
There are three primary colors, meaning that all colors are made up of a combination of these colors: red, blue, and yellow. Black, gray, and white are either totally reflective (white) or totally absorbent (black). Colors may be developed into a color scheme according to their position on the wheel. For example, five colors ranging from red to pale pink would create a color scheme. A *triadic color scheme* (having three colors) may be created by drawing a triangle within the wheel. The three colors at the triangle points will work together. A line straight across from one color to another will work together to create a *complementary scheme*.

HOW TO SELECT SOURCES FOR MERCHANDISE

- *Are supplier's goods suitable to store customers?* Are they similar to what customers have been buying and is quality consistent?
- *How complete is the line?* Does the vendor have a wide variety of goods and in quantities sufficient to meet the store's needs?
- *Can the vendor supply or manufacture to a store's specifications?* Can the supplier meet the needs of buyers with specific requirements for materials, workmanship, and design?
- *How much can and will a vendor ship?* Can you get *small lots* as well as *large shipments* according to your needs?
- *Are prices favorable?* Are they competitive for the quality purchased? If they are not competitive, are they justified for other reasons?
- *Can you get the latest lines?* Particularly important in fashion goods. Does the vendor carry goods in the upswing of the fashion cycle?
- *How creative is the vendor?* Are there new ideas available that give you a marketing edge?
- *Can you get reliable, prompt delivery?* Can the vendor deliver goods promptly according to an agreed-upon schedule?
- *What are the credit terms?* Is credit available? What is the billing period and time allowed for paying bills?
- *What dealer aids are available?* Can the supplier provide displays, advertising materials, or other sales aids?
- *What is the pricing and brand policy?* Are you locked into a standard retail price? Are both national and private brands available?

- *How does the vendor handle complaints?* Are guarantee and adjustment policies favorable? Is the vendor reliable?
- *What facilities are available for repairing or servicing products?* Are factory-authorized repair centers located throughout the country? Will your customers find it convenient to return merchandise for repair?
- *How long has the company been in business?* Does the vendor have proven ability to serve customers? (Incompetent vendors cannot stay in business long.)

Six Phases of the Fashion Cycle


The style is produced and sold in mass
Adapted style is popularized
Decline in popularity
Manufacturers adapt new style
New style originated
Abandonment

Janet's Sports Wear

Model Stock Plan

		Dollars	Units
Total planned stock			
Reserve for specials and clearance		$9.562	
Available for model stock		1.366	
Price lines:	$15	8.234	475
	$17	2.640	171
	$22	3.570	210
		2.024	92

Distribution to Class, Material, color, and Size

Class	Material	Price	Units	Teal				Orange				Maroon				Multi-stripes			
				S	M	L	XL	S	M	L	XL	S	M	L	XL	S	M	L	XL
Shortsleeve Buttondown	100% Cotton	$15	40	2	4	3	2	3	2	2	2	1	1	1	1	4	5	5	2
		$17	49	2	2	2	2	2	4	2	2	1	2	3	1	5	7	7	5
		$22	27	1	2	1	2	1	1	2	1	1	2	1	1	2	4	3	2
	Cotton Dacron Polyester (50/50%)	$15	48	1	2	2	1	1	3	1	2	1	3	1	2	7	9	8	4
		$17	54	1	1	1	1	1	2	2	1	2	2	3	1	8	10	10	8
		$22	36	1	2	2	1	1	3	1	1	1	2	2	2	4	5	5	3
	Cotton Polyester (30/70%)	$15	26		2	2	2	2	1	2	1	1	1	1		2	3	4	2
		$17	30	1	2	1	1	1	3	2	2	1	3	2	1	2	4	3	1
		$22	28	1	1	2	2	1	2	2	1	1	2	3	1	2	3	2	2
Long sleeve Pullover	100% Cotton broadcloth	$15	18	1	1	1	1	1		1	1	1	1	1	1	2	2	2	1
		$17	13	1	1	1	1					1	1	1	1	1	2	1	1
	Cotton Polyester (50/50%)	$15	16		1	2		1	2	1	1	1	2			1	2	1	1
		$17	22	1	2	1	1	1	1	2	1	1	1	2	1	2	2	2	1
	Cotton Polyester (30/70%)	$15	28	2	2	2	2	2	4	3	1	1	1	1	1	1	2	2	1
		$17	37	1	3	2	2	2	2	3	1	2	3	4	2	2	4	2	2
TOTAL			472	16	28	25	21	20	30	26	18	17	27	26	16	45	64	57	36

S = Small M = Medium L = Large XL = Extra Large

Services of a Resident Buying Office

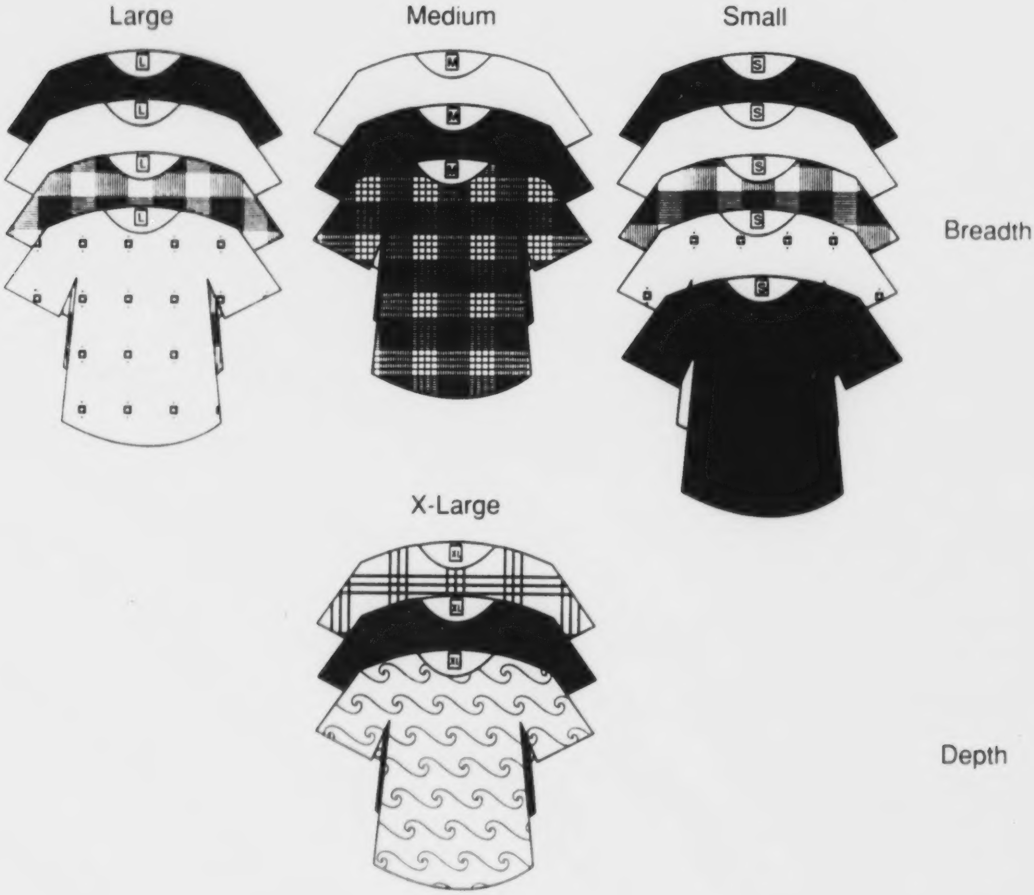
1. Identifies the best sources for all classifications; prices, and style of goods; keeps current files of all manufacturers
2. Relates wholesale developments
3. Buys for the store based on needs
4. Follows up on store orders
5. Handles adjustments
6. May consolidate, saving transportation charges
7. Provides office space and notifies manufacturers the buyer will be in town
8. Provides its own buyer to help make selections
9. Is able to get price concessions and exclusive styles by association with other stores
10. May arrange for group and central buying

Evaluating Merchandise

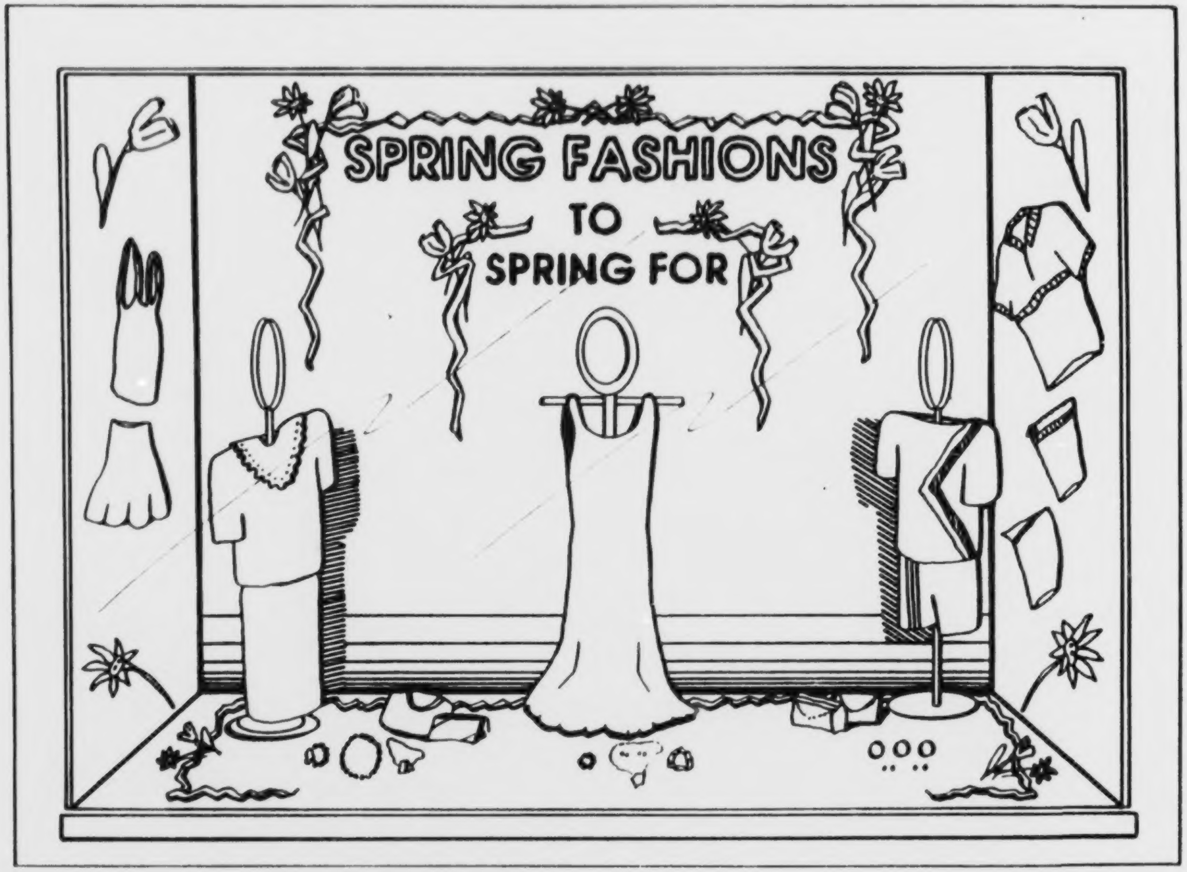
	Good	Fair	Poor
Does not duplicate goods already in stock or on order			
Suitable for store/department			
Durability			
Price range acceptable for my customers			
Profit margin			
Good value			
Packaging			
Appeal for specific customers			
Technical or advisory support/service available			

Merchandise Breadth and Depth

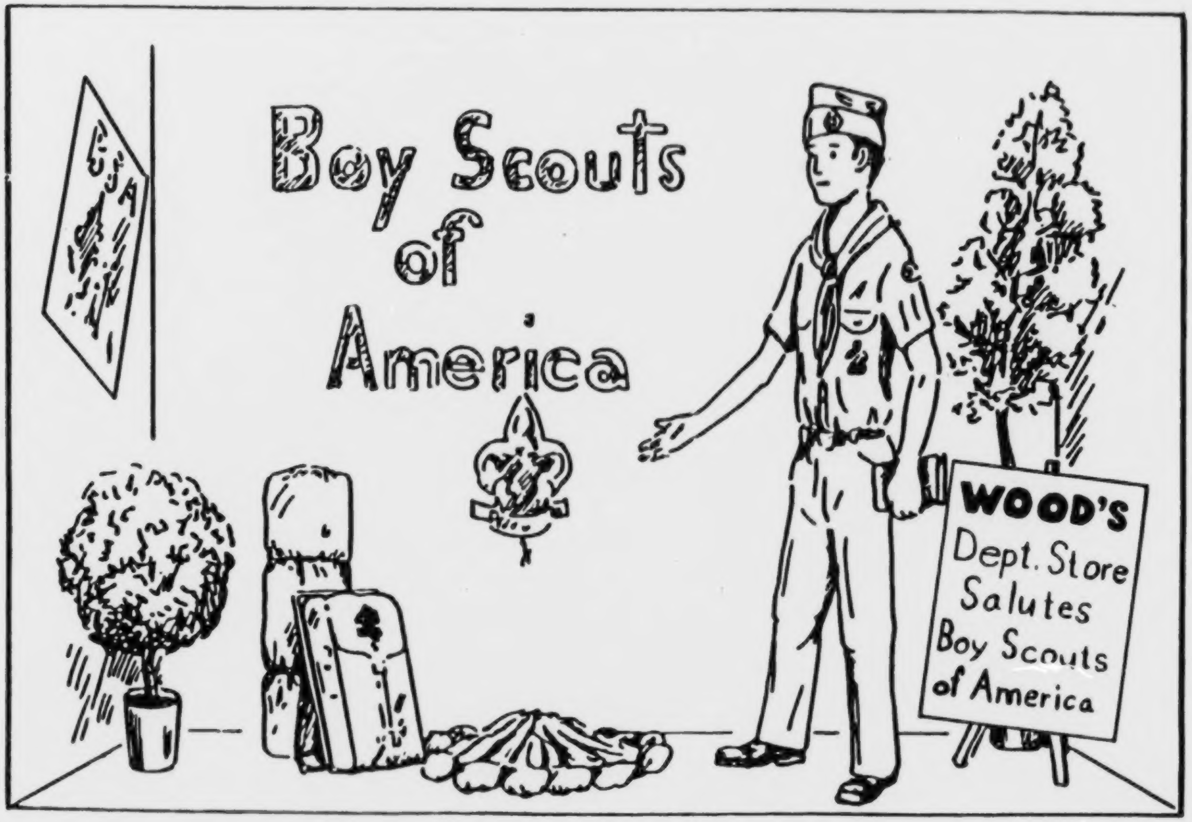
THE LATEST T-TOP'S


Large
Medium
Small
Breadth
X-Large
Depth

Promotional Display


SPRING FASHIONS
TO
SPRING FOR

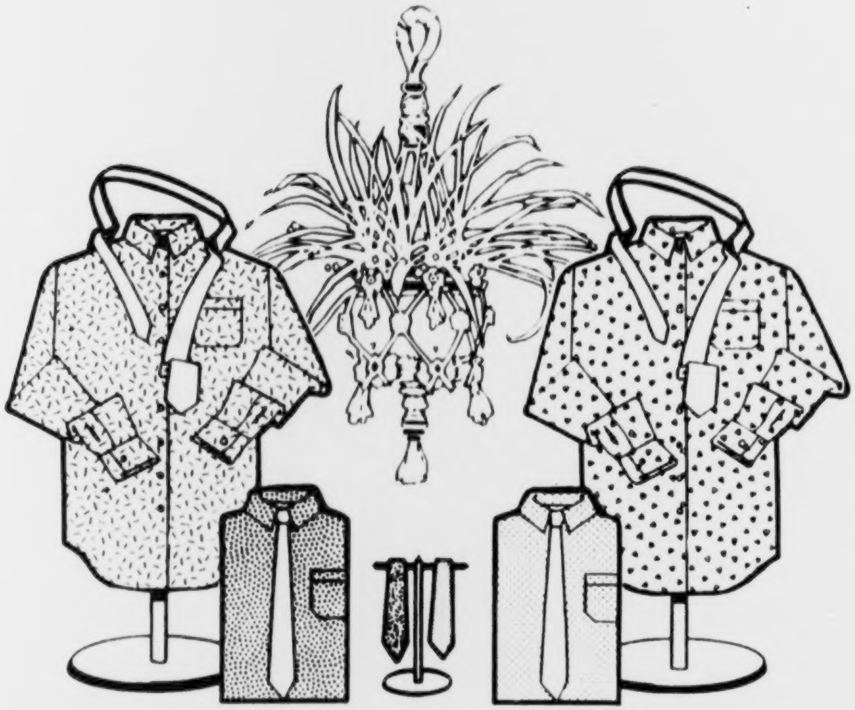
Institutional Display

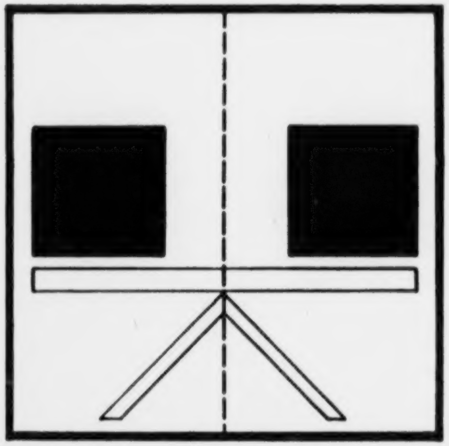

USA
Boy Scouts of America
WOOD'S
Dept. Store
Salutes
Boy Scouts
of America

TRANSPARENCY MASTER 6 - SBM
VIII - 35

TM 7

Formal Balance

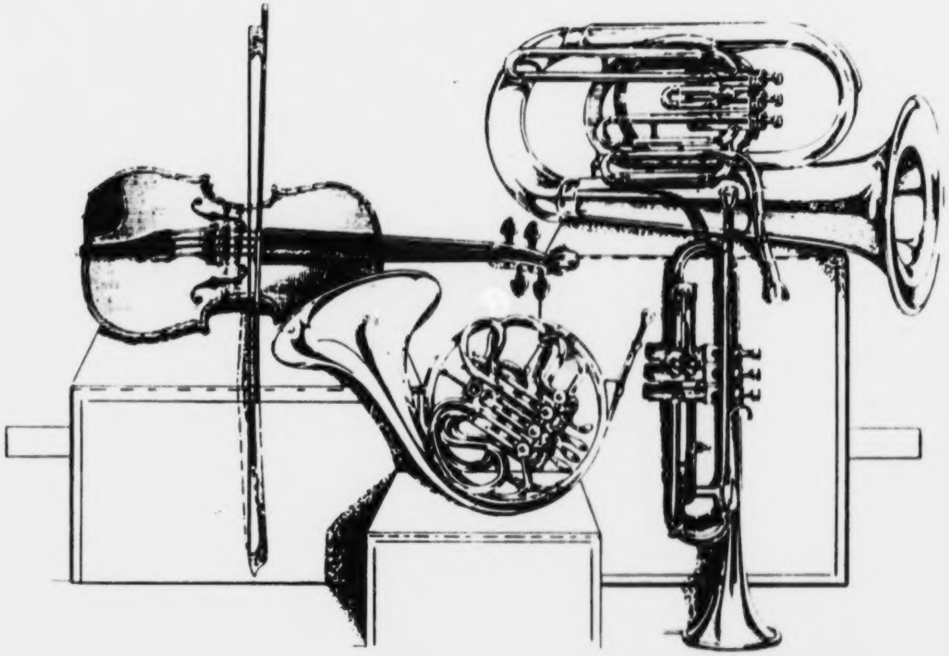


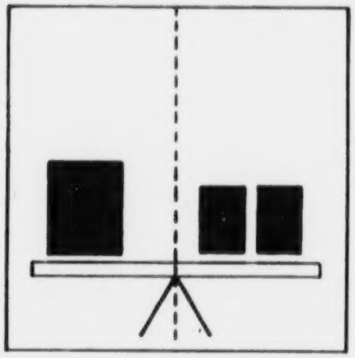


TRANSPARENCY MASTER 8 · SBM
VIII · 37

TM 8

Informal Balance

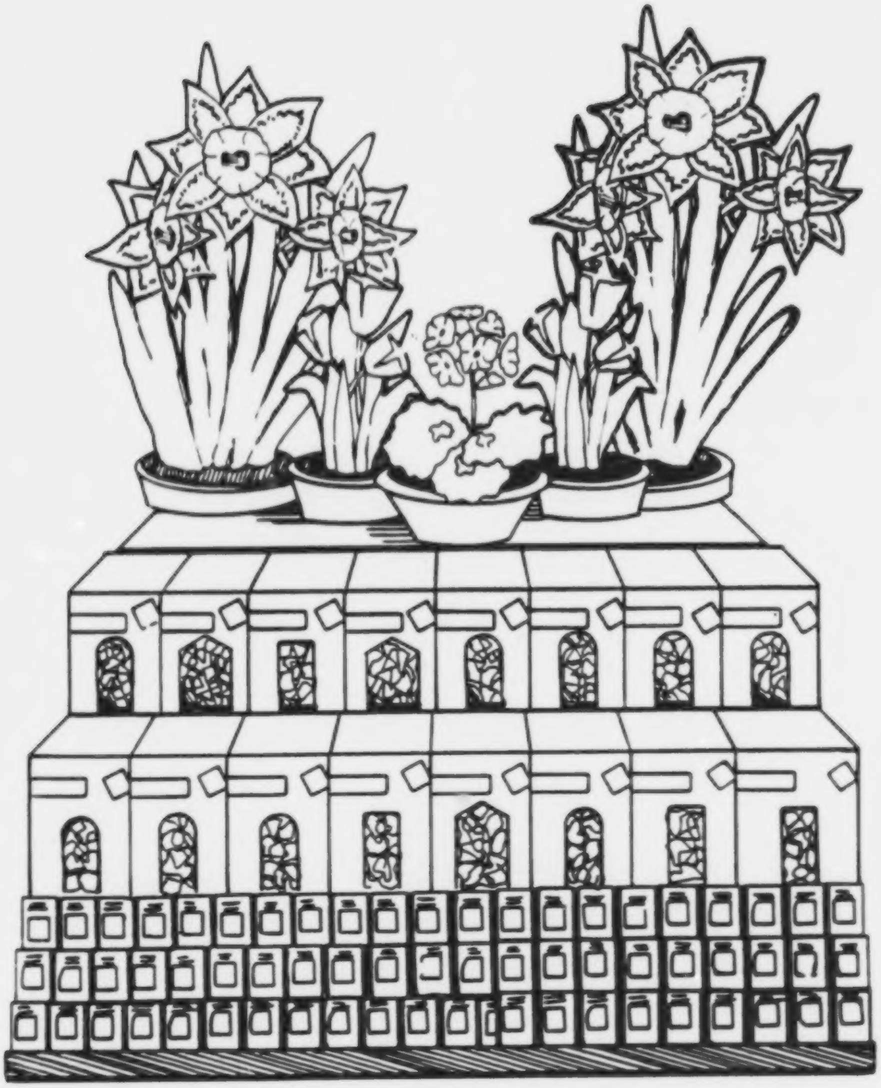




TRANSPARENCY MASTER 9 - SBM
VIII - 39

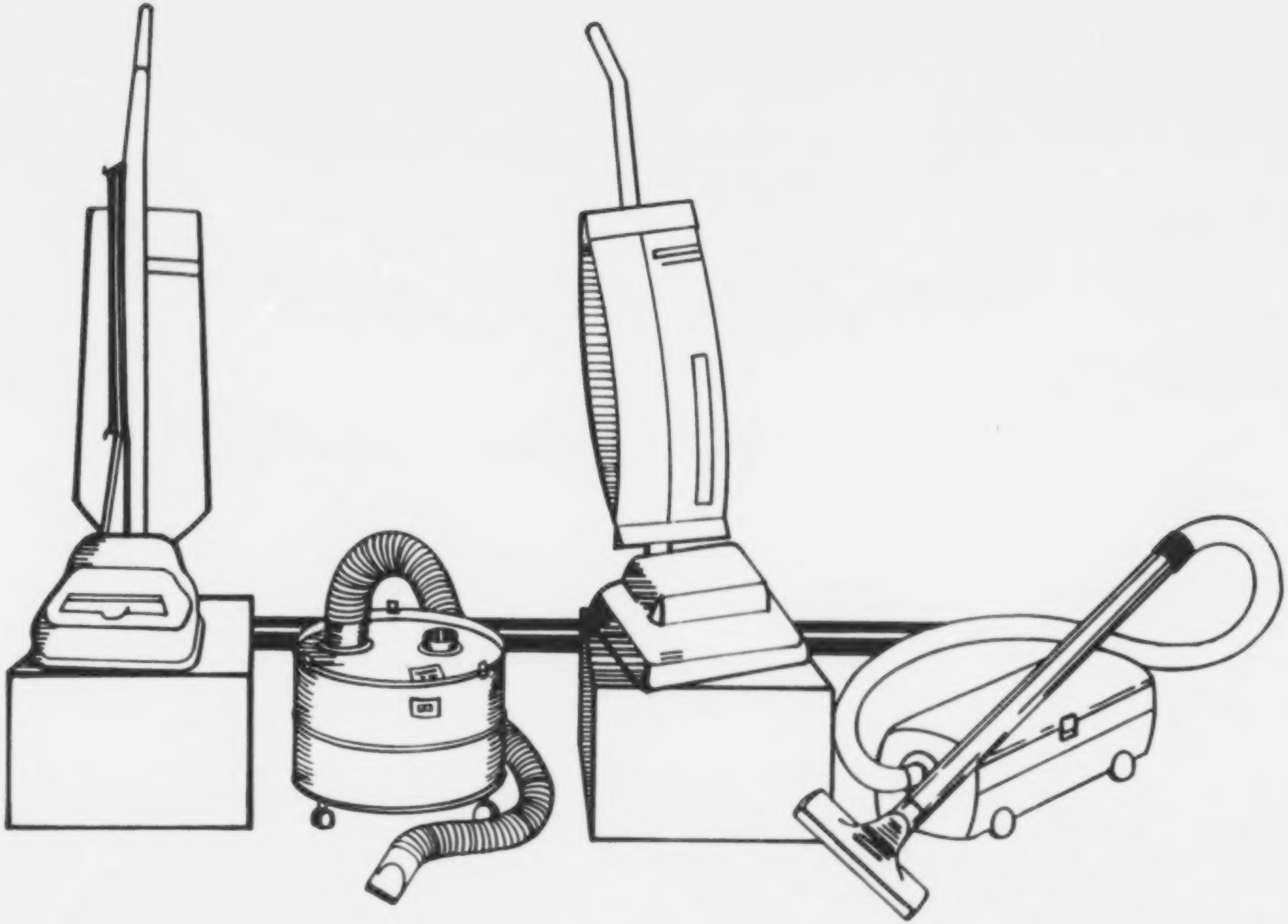
TM 9

Emphasis



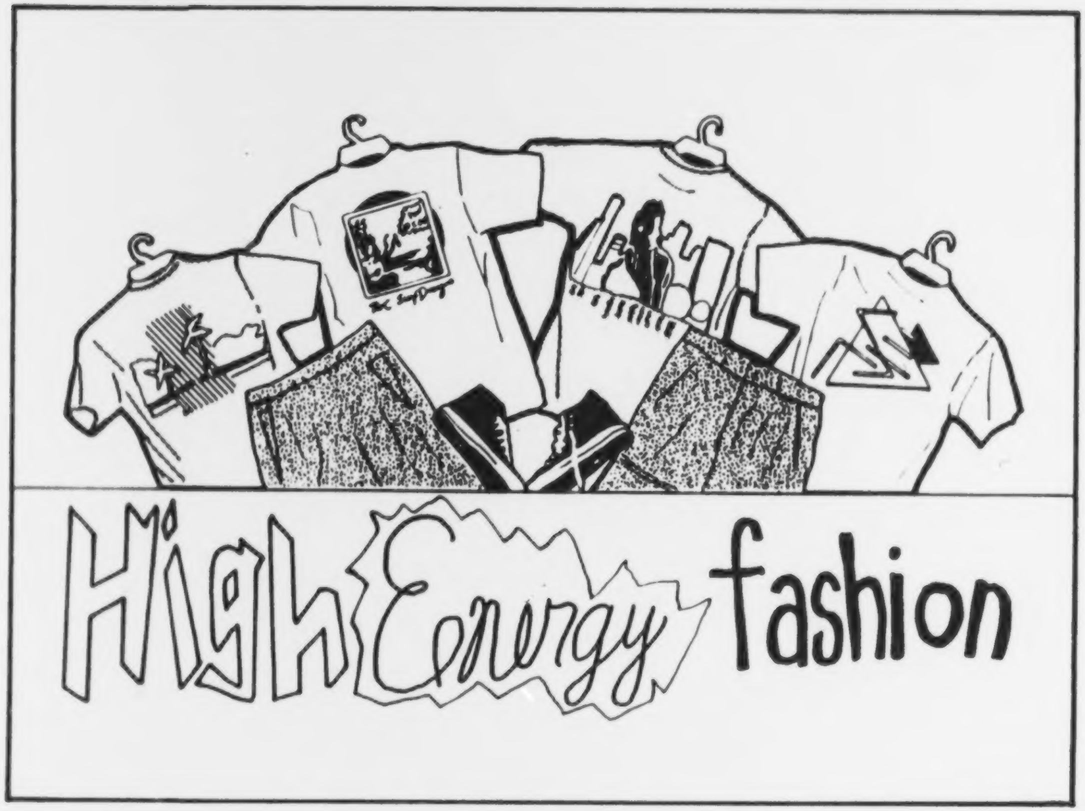
TRANSPARENCY MASTER 11 - SBM
VIII - 43

Rhythm



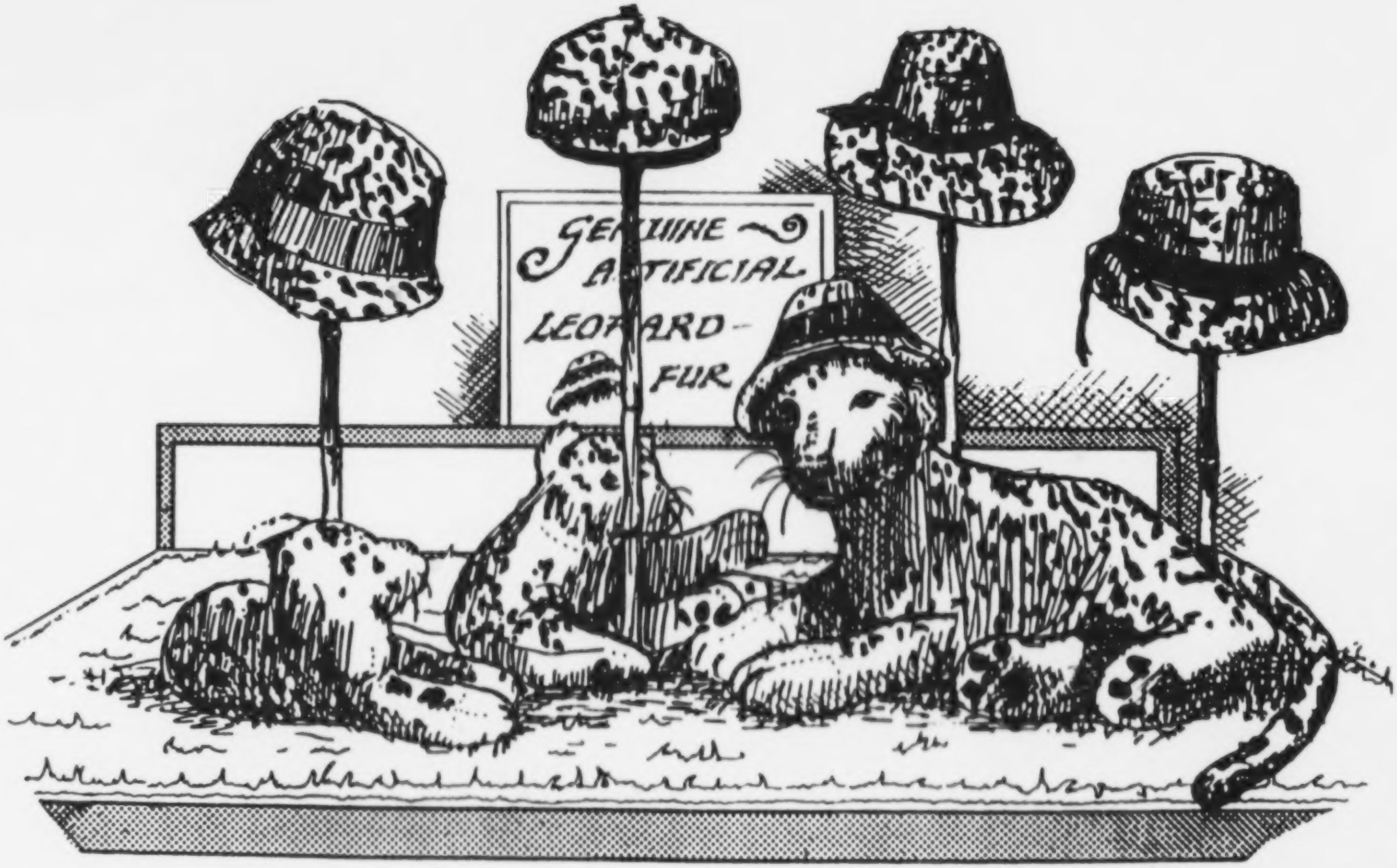
TM 11

Proportion

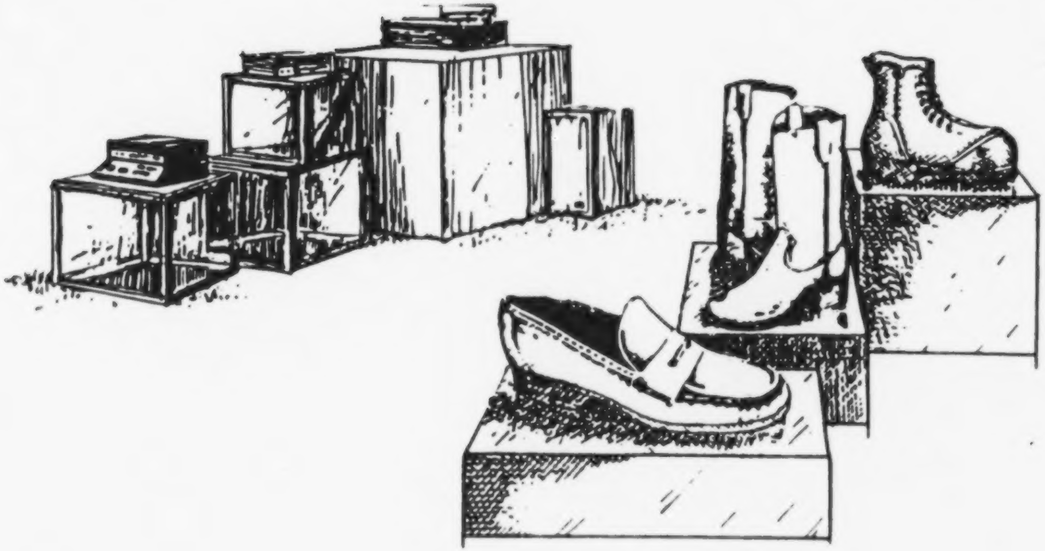

High Energy fashion

TRANSPARENCY MASTER 12 - SBM
VIII - 45

Harmony


GENUINE ARTIFICIAL LEOPARD-FUR

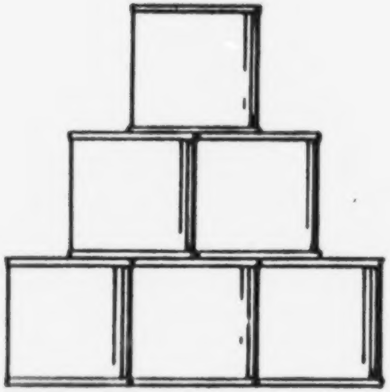
Step

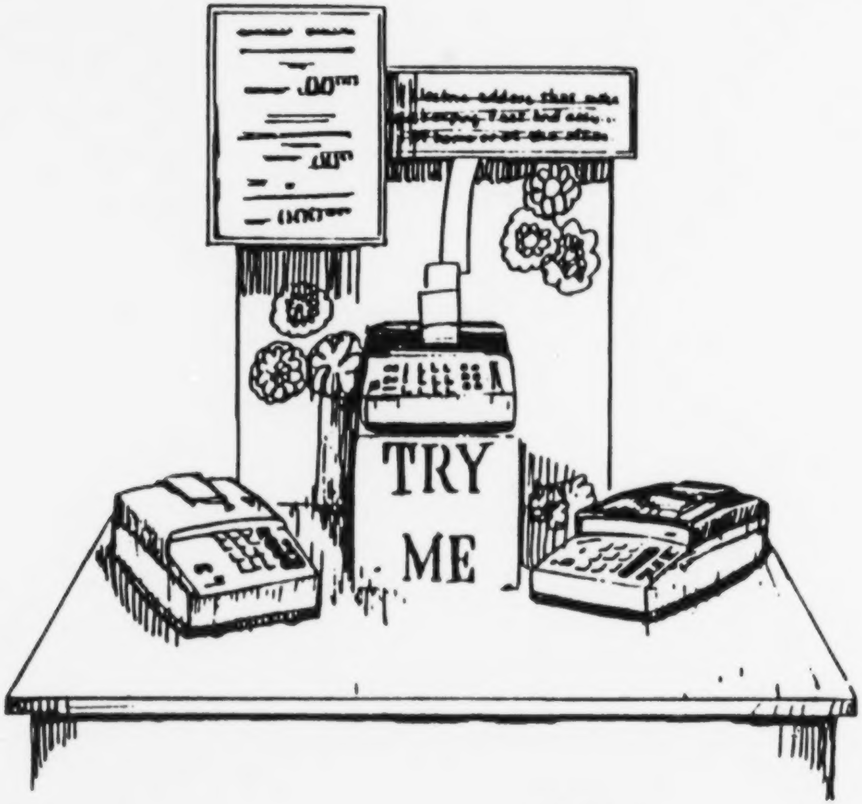


TRANSPARENCY MASTER 14 · SBM
VIII · 49

TRANSPARENCY MASTER 15 - SBM
VIII - 51

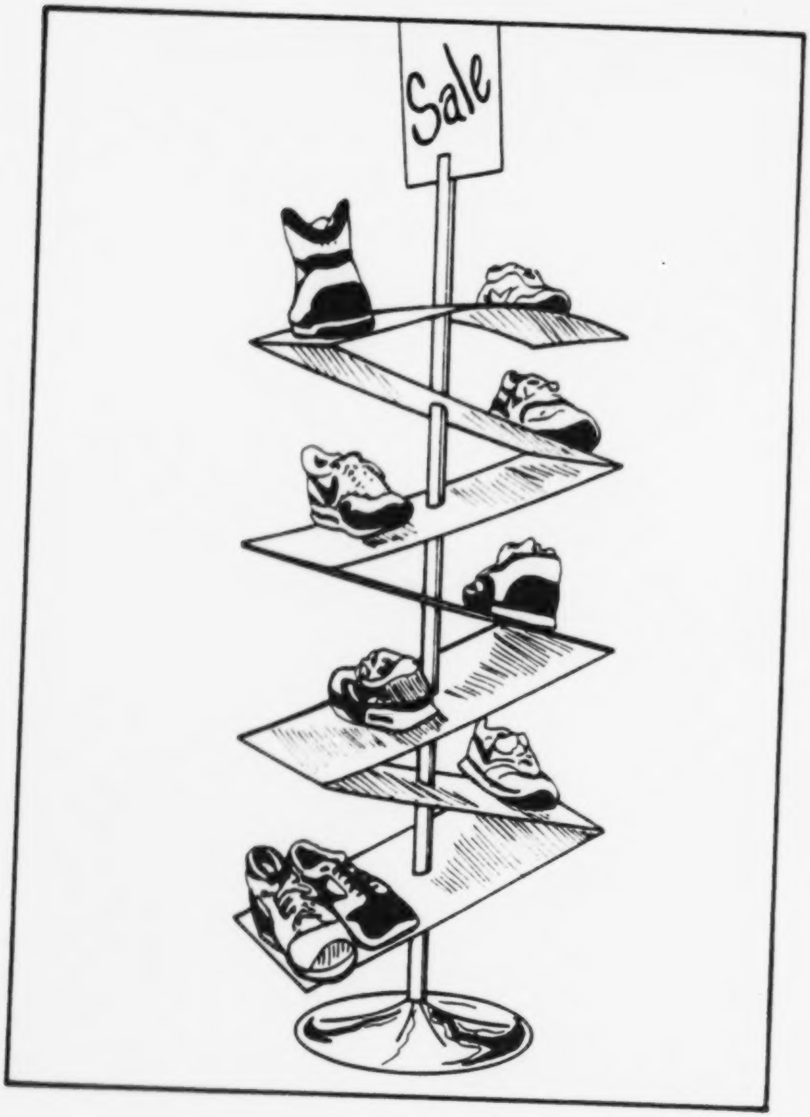
Pyramid





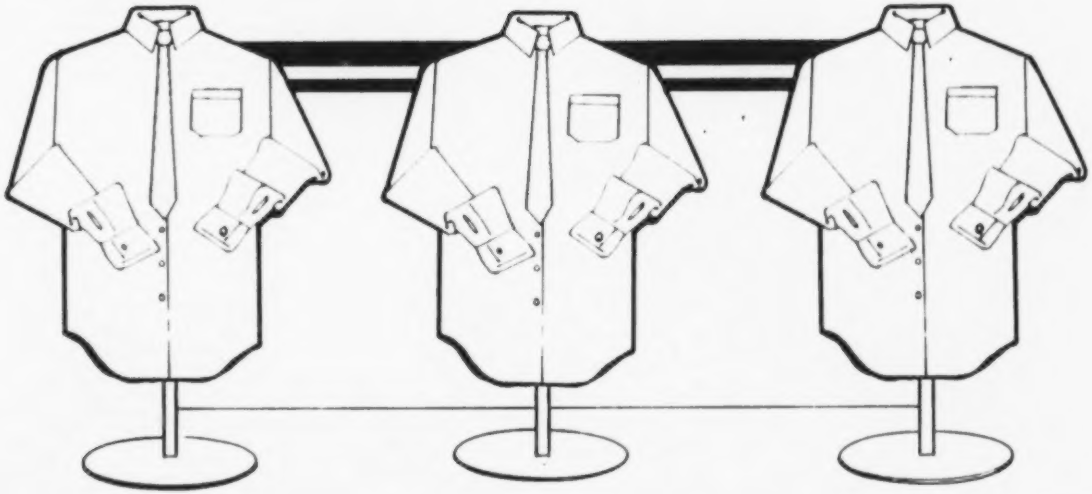
TM 15

Zigzag



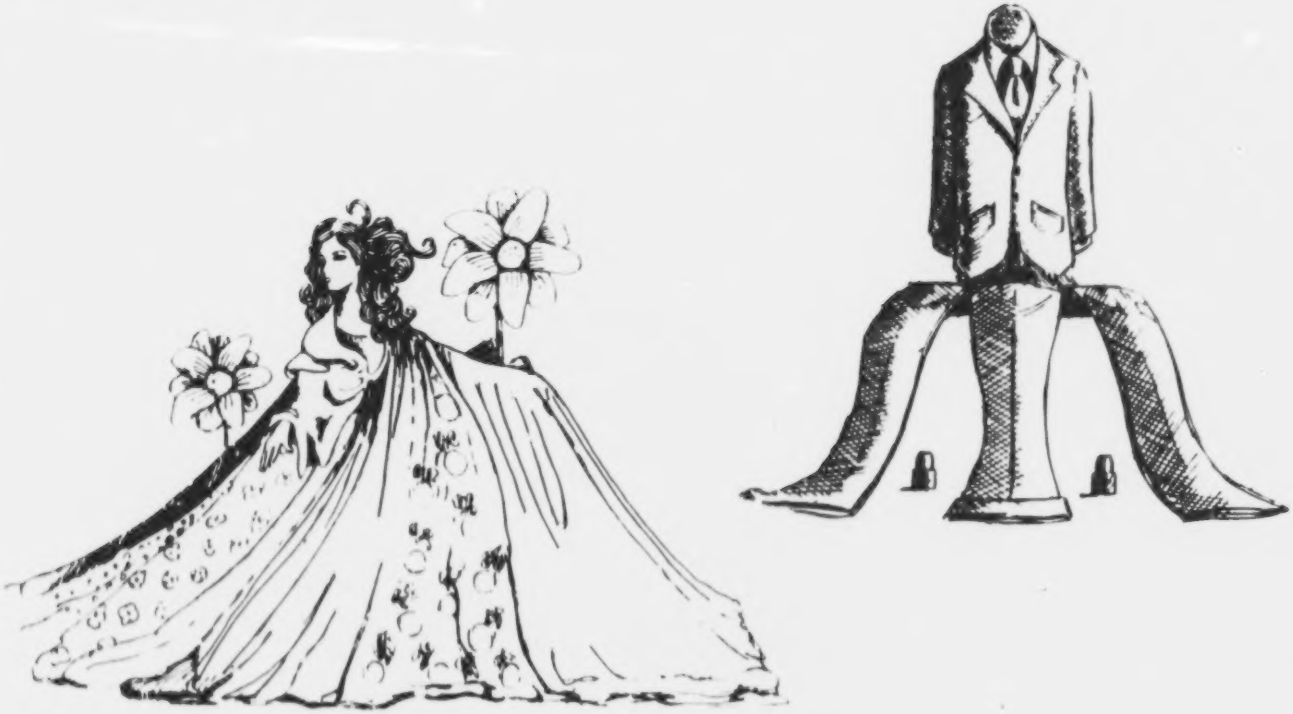
TRANSPARENCY MASTER 17 - SBM
VIII - 55

Repetition



TM 17

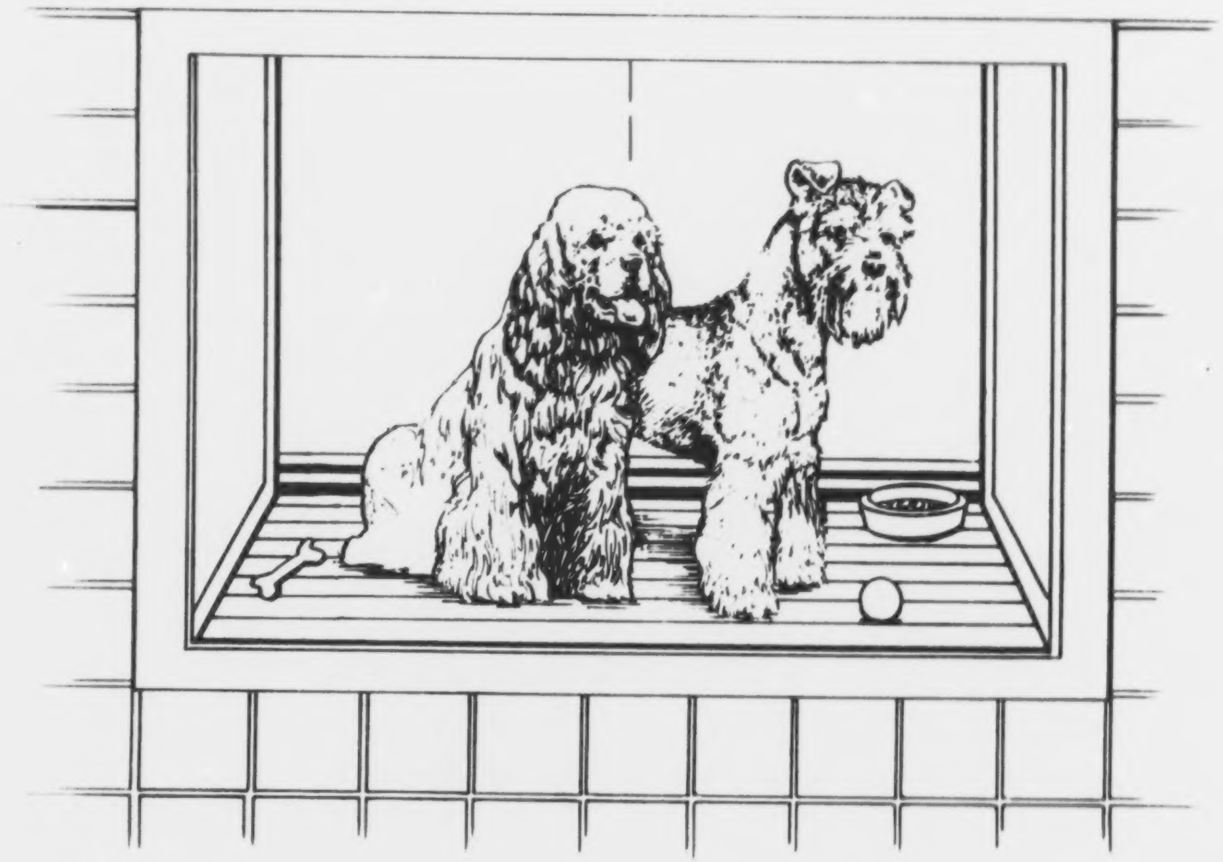
Radiation



TRANSPARENCY MASTER 18 - SBM
VIII - 57

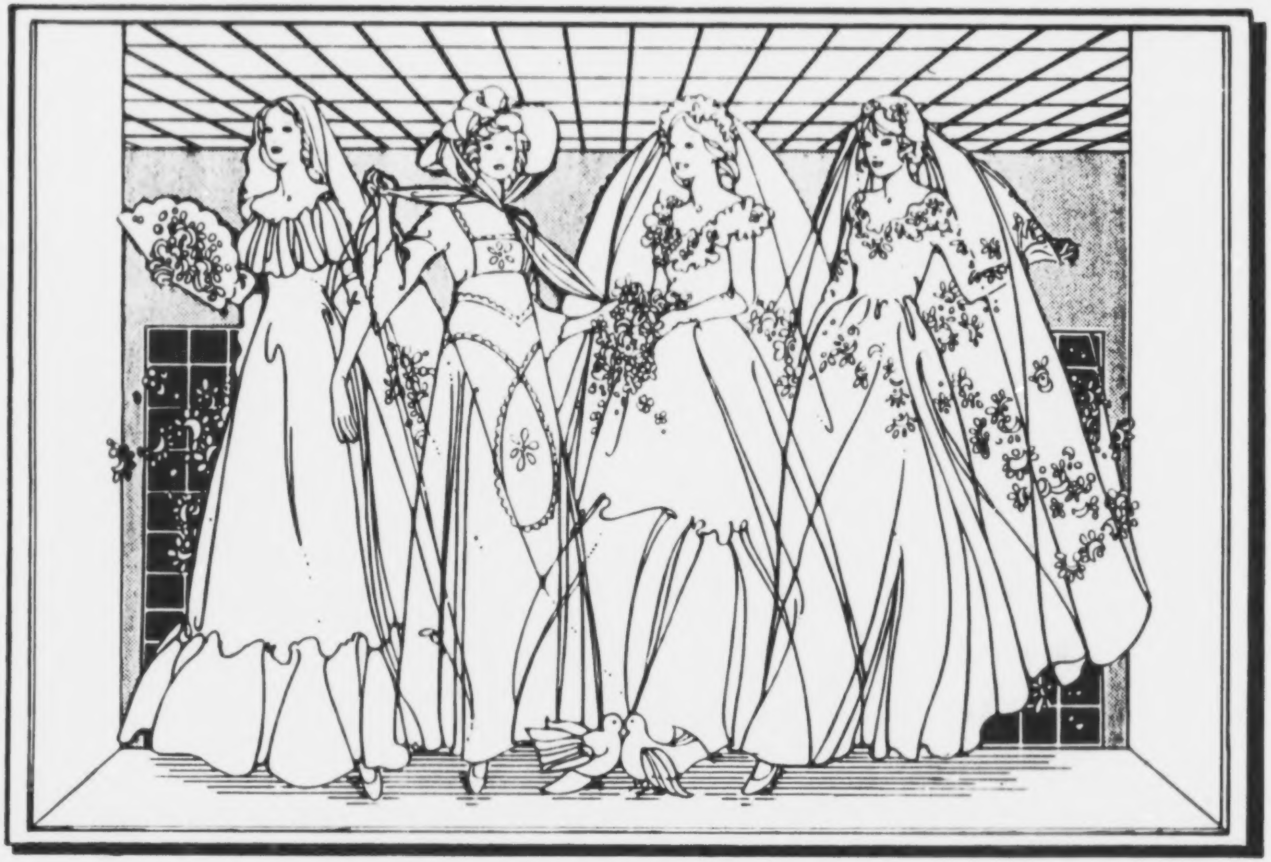
TM 18

Closed Window Display



TRANSPARENCY MASTER 19 - SBM
VIII - 59

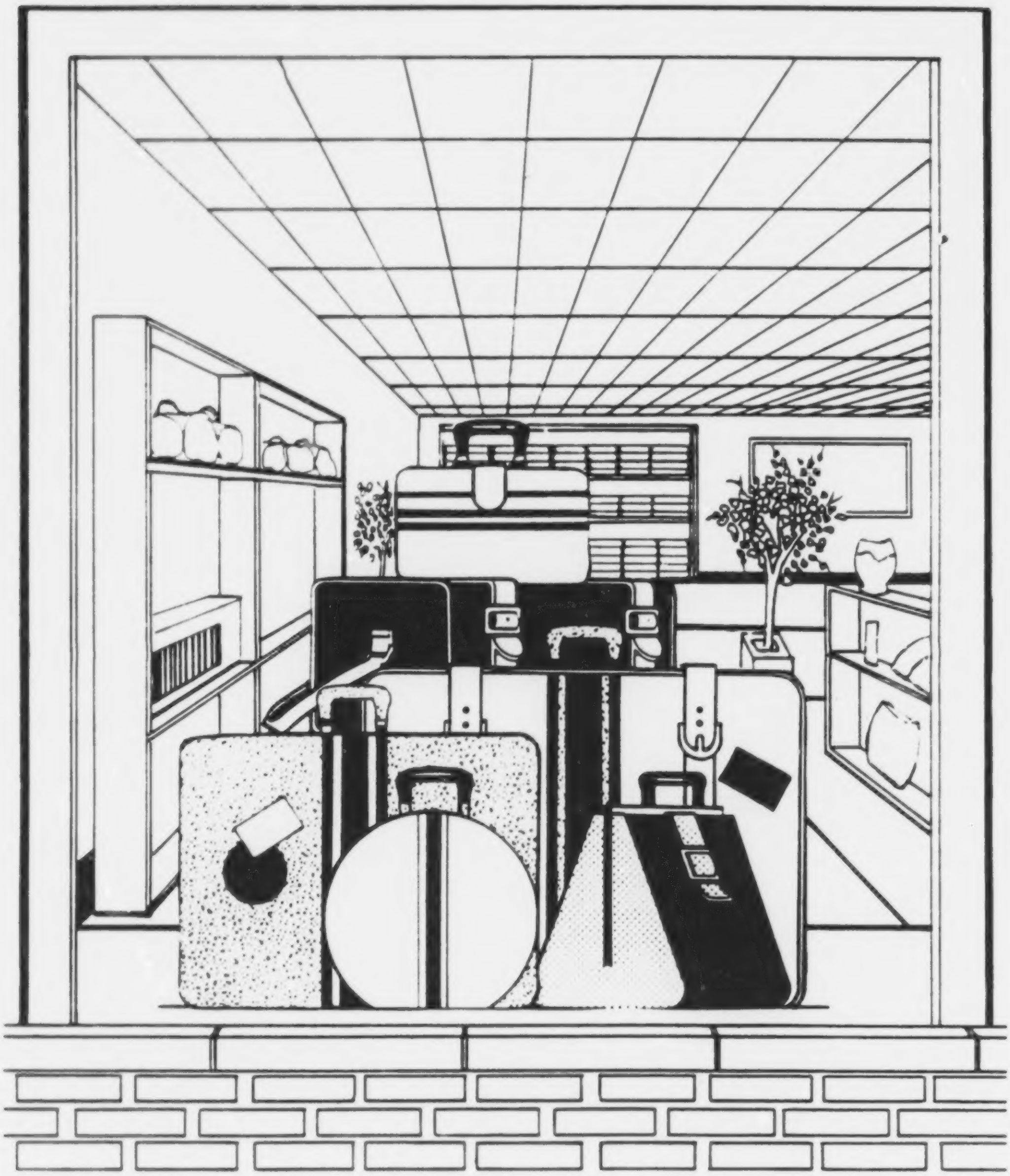
Semi-Closed Window Display



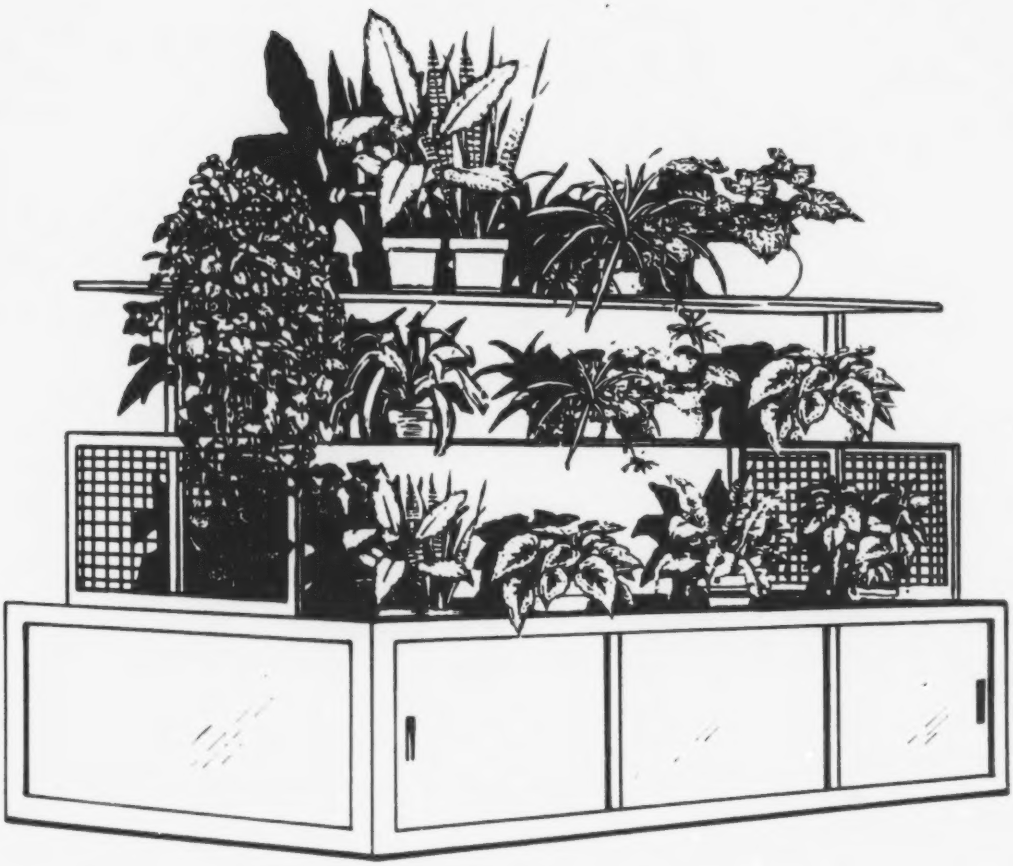
TRANSPARENCY MASTER 20 - SBM
VIII - 61

TM 20

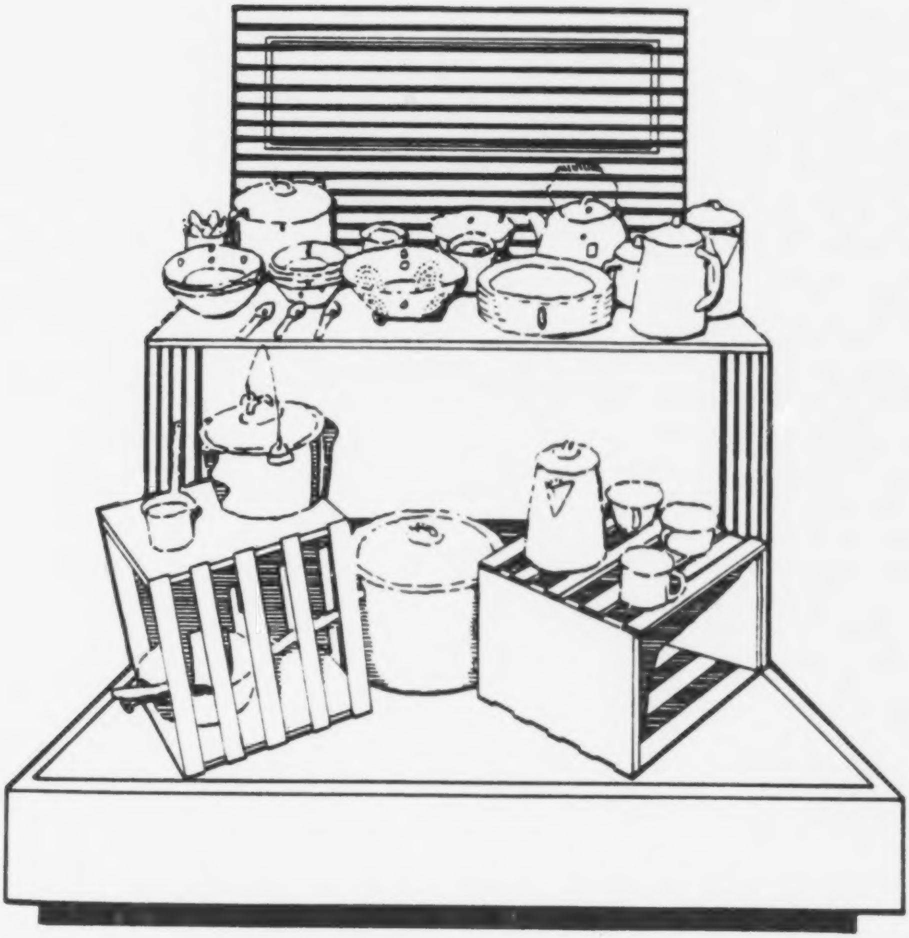
Open Window Display



Open Display

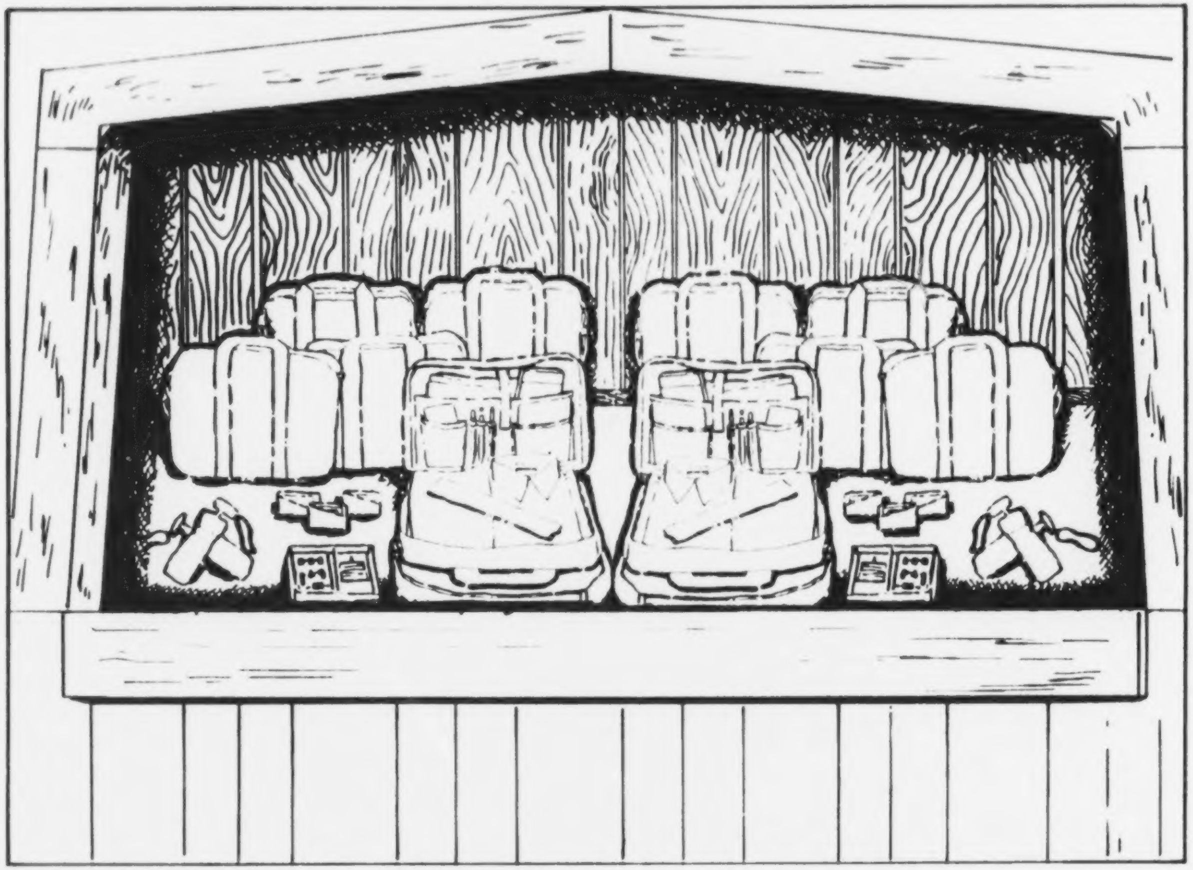


End Display

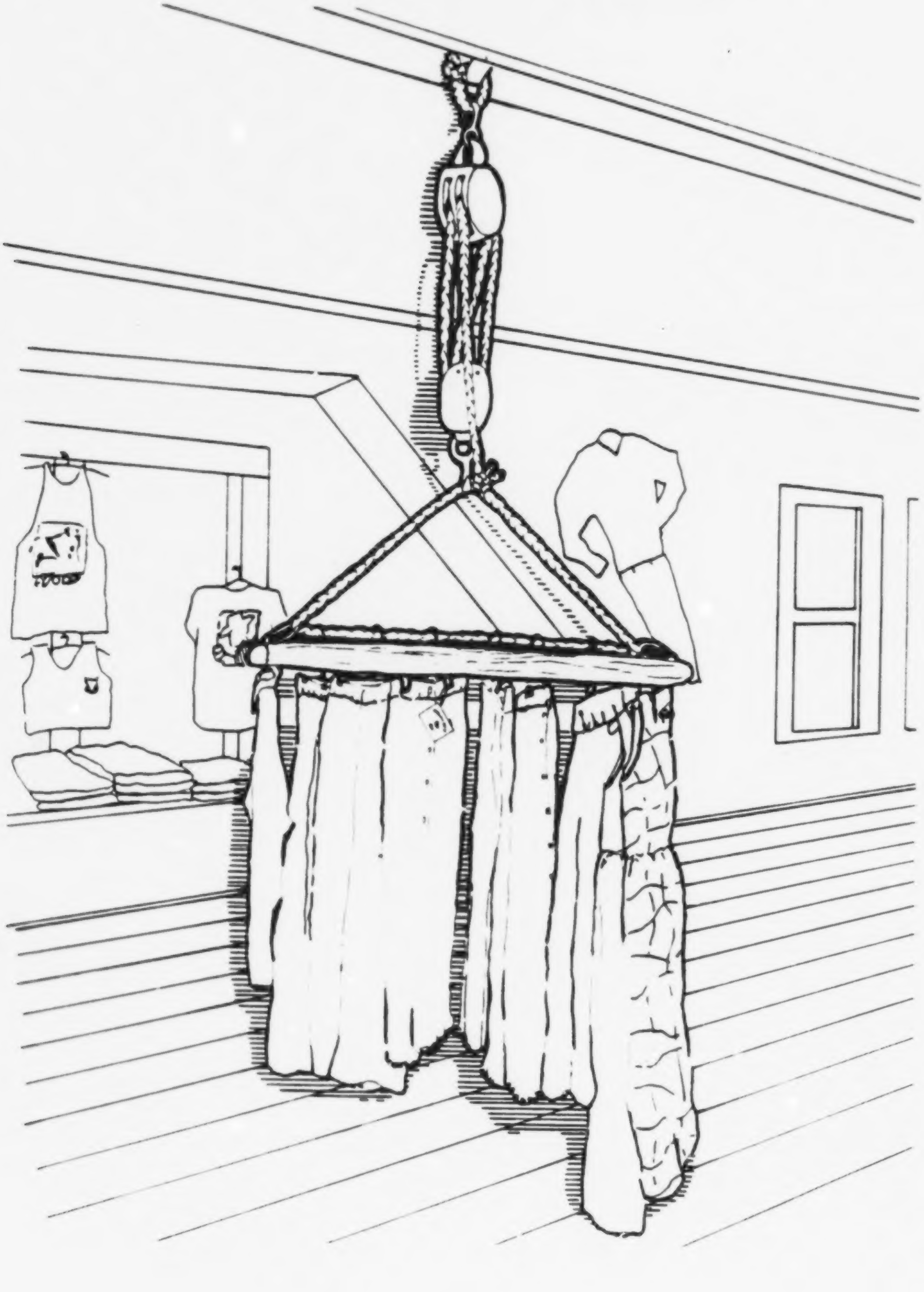


TRANSPARENCY MASTER 24 - SBM
VIII - 69

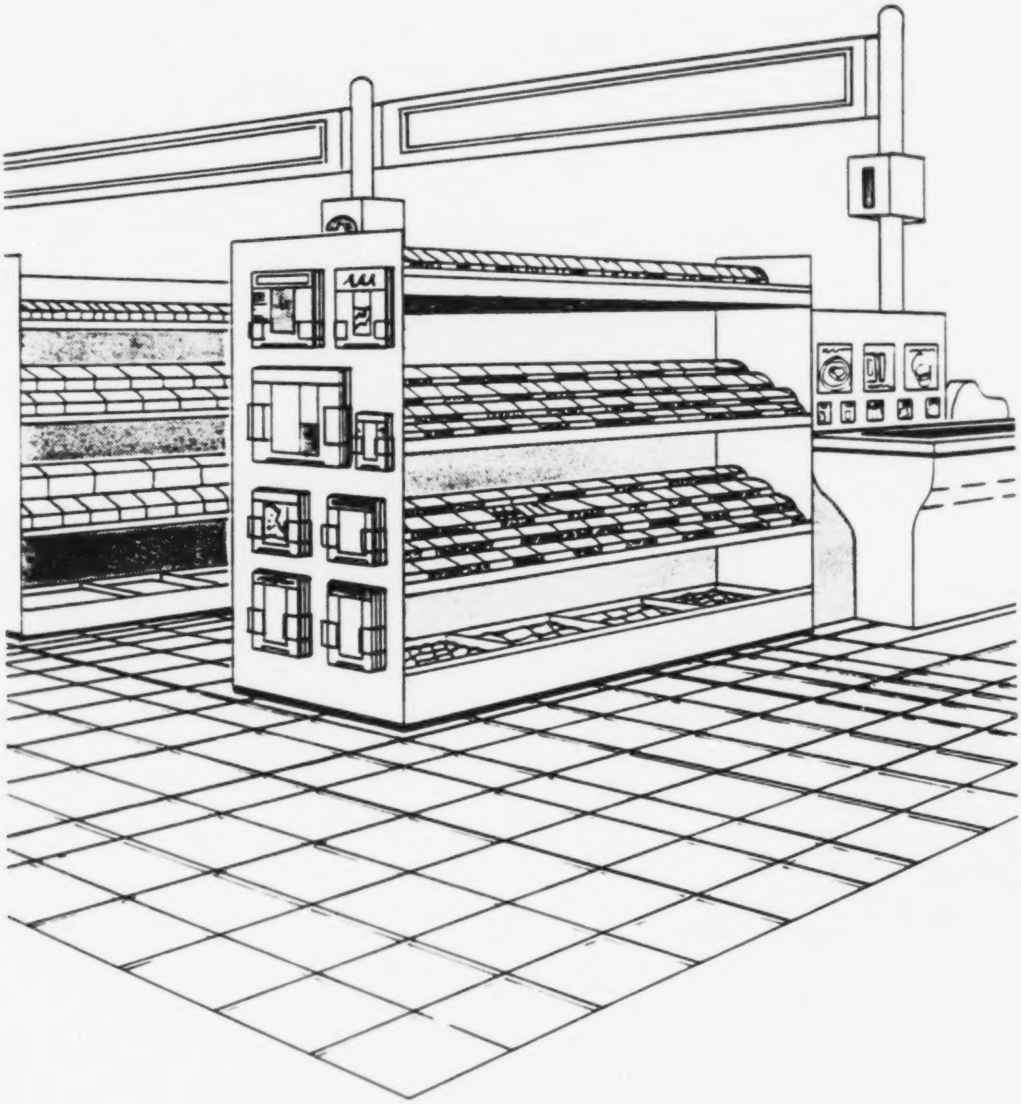
Shadow Box Display



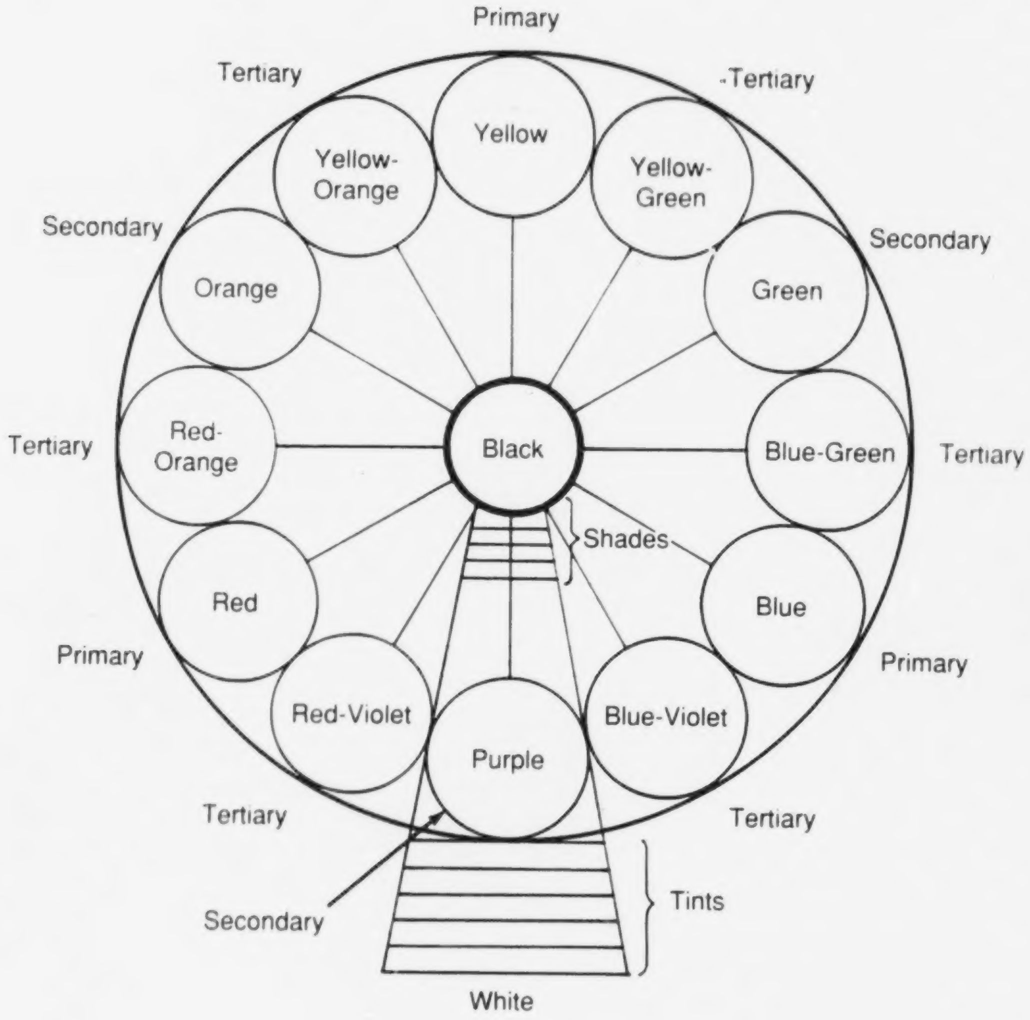
Suspended Display



Point-of-Purchase Display



Color Wheel


Primary
Tertiary
-Tertiary
Yellow
Yellow-Orange
Yellow-Green
Secondary
Secondary
Orange
Green
Tertiary
Red-Orange
Black
Blue-Green
Tertiary
Shades
Red
Blue
Primary
Primary
Red-Violet
Purple
Blue-Violet
Tertiary
Tertiary
Secondary
Tints
White

ACTIVITY SHEET 1	MERCHANDISING VIII

NAME ______________________________

OBJECTIVE 12	**Describe a merchandise assortment, including breadth and depth for one product from your retail business.**
INTRODUCTION	Each customer who shops in your store will have different needs. The merchandise assortment that you carry will enable you to best meet as many of those particular needs as is possible. Your inventory, which includes the breadth and depth of each product, will allow you to stock a variety of goods in sizes, colors, and weights or other product characteristics that will serve your customers.
DIRECTIONS	Choose a familiar product and list the sizes you carry in your store. Then list the color choices, patterns, materials and prices of that same product and how many of each are available in your store.

MERCHANDISING

NAME ______________________________

OBJECTIVE 13

Discuss how merchandise sold by your business may be affected by the fashion cycle.

INTRODUCTION

Goods change place in the fashion cycle largely as a result of their popularity. Your store's stock may contain a mixture of items that change both quickly and slowly in the cycle. It is important for the retailer to understand the process of fashion and style change in order to be able to carry the products that are desired and not be overstocked with unpopular goods that may not sell.

DIRECTIONS

Using several popular and in-demand products from your store, discuss how you were introduced to the popularity of the product and when it became available to you as a retailer. Then, by projecting somewhat into the months ahead, discuss why you feel the products will either remain in demand or decline in popularity and how your business will be affected.

ACTIVITY SHEET 3

MERCHANDISING

VIII

NAME ________________________________

OBJECTIVE 14

Classify merchandise from your retail business into the five major categories.

INTRODUCTION

All of the products in your retail business should fall clearly into one of the categories mentioned. This is an effective method for merchandising the greatest variety of goods and at the same time utilizing the product advertising support offered in several of the categories. It is, of course, also the best way to carry those products that are popular with your customers.

DIRECTIONS

Use at least two product examples for each category.

Categories are:

1. Brand name goods
2. Generic brands
3. National brands
4. Private brands
5. Staple goods

ACTIVITY SHEET 4

MERCHANDISING

VIII

NAME ______________________________

OBJECTIVE 15

Describe the three basic inventory tools a merchandising manager uses to plan and control stock and discuss how they differ from each other. Relate the merchandise in your store to these inventory tools.

INTRODUCTION

Your retail store may have more products that are inventoried and ordered by one particular list than the other two types of lists or stock control methods. There will always be the products that sell as fast as you can shelve them and they are handled differently in your ordering of merchandise than those items that you keep for a longer period of time to sell.

DIRECTIONS

Write out the names of the inventory or stock lists at the top of three sheets of paper. In a brief sentence or two, describe what goes on each list under the name of the list. Now, using several products from your retail store, discuss why you would place each of them on a particular list.

ACTIVITY SHEET 5

MERCHANDISING

NAME ______________________________

OBJECTIVE 16

Compare the differences between central buying and buying independently, and the advantages of either system to your store.

INTRODUCTION

Many times people will go to several stores to check on the similarity of a product in design or price. It may be important to you to be able to have products that are similar to those carried in other local retail stores in order to sell a better product or a similar product at a better price. Central buying accounts for this but doesn't give the retailer much say in what is stocked. Maybe you will want to buy products that are very different from those offered in other stores. Independent buying would allow you to look at all products available to you as a retailer and make your own decisions about what to stock.

DIRECTIONS

Describe the two buying methods in your own words and discuss the advantages and disadvantages for your business. Prepare to discuss your answers.

Central buying ______________________________

____

Advantages ______________________________

Disadvantages ______________________________

Independent buying ______________________________

____

Advantages ______________________________

Disadvantages ______________________________

MERCHANDISING

NAME ______________________________

OBJECTIVE 17

Describe the method used to determine what merchandise to stock and possible ways to improve the selection.

INTRODUCTION

Retailers constantly look for better selling products for their stores. The way they search for these products usually involves an examination of other retail merchants in their locale. Going to other department stores, if you operate a department store, will allow you to see what is sold by other department store retailers. It is also possible to determine with some reasonable accuracy how well some items sell. Retail merchants who special order items for customers also need to keep that task manageable. This can be handled through the use of a card file with your own notes about merchandise sources.

DIRECTIONS

Thinking of your own store, make some notes about what practices were followed in determining the merchandise you would sell. Give some thought to the method you use to special order merchandise. Be prepared to discuss these with the class.

ACTIVITY SHEET 7

MERCHANDISING

VIII

NAME ________________________________

OBJECTIVE 18

Create a display using the five principles of design.

INTRODUCTION

Your merchandising display is the bait that brings the customer in to buy, especially if that customer is visually oriented, as 90% of the American public are. Your display attracts customers, creates interest and desire, and persuades customers to buy. It should be attractive and fulfill its purpose. You may not have the experience and expertise you think you need to have an effective display, but you have all the information you need in Objectives 8 through 11. Use that information to help you improve business through your merchandising displays.

DIRECTIONS

Over the next few weeks, look at the displays where you shop and at your competitor's place of business. Determine whether they are promotional or institutional displays, and look for the use of the five principles:

Balance
Emphasis
Rhythm
Proportion
Harmony

Look also at the types of display arrangements and identify:

Step arrangements
Pyramid arrangements
Zigzag arrangements
Repetition arrangements
Radiation arrangements

Determine the types of display areas used as well. Consider what is effective and what isn't, and combine those ideas with your own.

Design and create a display for your store, using balance, emphasis, rhythm, proportion, and harmony. Be aware of the arrangement possibilities and use them to your advantage to the best of your ability. Complete the display by a date determined in your group.

Take a photograph of the display. Come to the meeting ready to discuss the various arrangements and elements you used.

ACTIVITY ANSWERS

MERCHANDISING

VIII

ACTIVITY SHEET 1	Description should fit the definitions of assortment, breadth, and depth for each product.
ACTIVITY SHEET 2	Answer should fit the steps in the fashion cycle.
ACTIVITY SHEET 3	Products should be correctly classified according to the definitions in Objective 3.
ACTIVITY SHEET 4	Description should fit the definitions of basic stock list, never out list, and model stock plan in Objective 4.
ACTIVITY SHEET 5	Check that the comparisons made are from the definitions of central buying and independent buying from Objective 5.
ACTIVITY SHEET 6	Practices discussed should include those given in Objective 6. Check that methods described and discussed include ideas for improving merchandise selection.
ACTIVITY SHEET 7	Check that clients used balance, emphasis, rhythm, proportion and harmony in the display. Emphasize strengths and creative decisions in the design and suggest ways to improve weaker areas.

OBJECTIVE SHEET

ADVERTISING FOR SMALL BUSINESS

IX

INTRODUCTION

Advertising and sales promotion are both essential to the successful operation of any small business. They identify your business and attract customers. To be able to use principles of both effectively, the business owner must look at the needs of the business, the expectations of customers, and the means available to present information about your business.

UNIT OBJECTIVE

After completing this unit, the client should have an increased awareness of effective advertising and sales promotion and know how to apply these skills to business. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with advertising.
2. Define terms associated with sales.
3. Discuss aspects of developing a promotional program.
4. List possible advertising goals for your business.
5. Determine budgeting considerations for your business's marketing plan.
6. Define terms associated with advertising copy and layout.
7. Identify the major parts of an advertising layout.
8. Identify the type of balance created in advertisements.
9. Discuss characteristics of good headlines.
10. List purposes of subheadings.
11. Identify characteristics of good copy.
12. Discuss basic principles for using illustrations.
13. List considerations for selecting a newspaper advertisement location.

14. List basic rules for using color in an advertisement.

15. Identify methods of using white space in an advertisement.

16. Discuss basic principles of layout designs.

17. Identify the main focal point of an illustration.

18. Discuss the importance of timing in advertising and sales.

19. State the five steps used to develop a monthly sales plan.

20. List methods to determine if ads can increase sales.

21. List advertising methods for promoting your business in your marketing area.

22. List the shopping events your business might utilize in the next year. (Activity Sheet 1)

23. Check advertisements for their effectiveness. (Activity Sheet 2)

24. Develop a monthly sales plan for your business. (Activity Sheet 3)

25. Prepare an advertisement using the major parts of an ad and creative techniques of copy and layout. (Activity Sheet 4)

SUGGESTED ACTIVITIES

ADVERTISING FOR SMALL BUSINESS IX

PREPARATION

- Obtain materials to supplement the unit.

  NOTE: See Suggested Resources.

- Review the unit and plan your presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objective should be taught to which clients.
- Determine the scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan training activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Invite an advertising professional or sales representative to talk to the class about advertising and sales promotions.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet, and any other components you want them to cover. Also, provide a class profile indicating the number of participants and sizes of retail, manufacturing, and service businesses, and any additional information that would be useful to the speaker.

- Tell clients to arrange time away from the seminar to complete the Activity Sheets.
- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

Objective 1 Define terms associated with advertising.

- Ask clients if they have an advertising budget or plan and have them explain why or why not.

- Have clients discuss advertisements they remember from when they were children. Have them describe their reaction to the advertisements. Try to include different types of ads: television commercials, printed ads, radio ads, etc.

- Have clients begin a log of their own ads and those of their competitors.

- Discuss Supplement 1.

Objective 2 Define terms associated with sales.

- Discuss some examples of different businesses competing through their ads, such as McDonald's competing with Burger King and Wendy's, Pepsi competing with Coke, and Sears competing with Walmart.

- Obtain examples of ads and promotional display material for shopping events such as Christmas and Valentine's Day.

Objective 3 Discuss aspects of developing a promotional program.

- Discuss some possible goals for several types of businesses.

- Point out ways a company destroys its own promotional efforts through carelessness in appearance.

- Have clients give examples of shopping situations they have experienced that demonstrate poor pricing practices. For example, all the socks are alike in every way but color and every pair is priced the same except for the red pair you want which is priced higher.

- Have clients complete Activity Sheet 1.

Objective 4 List possible advertising goals for your business.

- Express a number of advertising goals that are realistic for a specific business represented in the group, and then for a business that is not represented.

- Have clients suggest advertising goals national companies may be addressing with certain ads. For example, "Pepsi, the choice of a new generation" is designed to increase the number of young consumers who choose Pepsi.

- Relate advertising goals to business plans.

Objective 5 **Determine budgeting considerations for your business's marketing plan.**

- Obtain an example of a real business's marketing plan and budget.

- Point out some of the factors to be considered when budgeting, such as location, size of the business, and customer's traffic pattern.

- Give examples of average percentages spent for sales from Supplement 2. Point out differences between businesses.

- Have clients suggest what should be considered when setting advertising goals. Have clients prioritize suggested considerations.

- Have clients discuss why advertising goals should be set and how they can be used to determine success or failure.

- Discuss Supplements 2 and 3

Objective 6 **Define terms associated with advertising copy and layout.**

- Invite an advertising sales representative to discuss advertising terms and jargon.

- Obtain and distribute advertising rate schedules and forms from local newspapers, radio stations, television stations, etc.

- Provide examples of copy-ready and thumbnail sketches.

Objective 7 Identify the major parts of an advertising layout.

- Have clients identify focal point, margin, etc., in newspaper and magazine advertisements.

- Relate parts of an advertising layout to similar features in window displays.

- Have clients compare advertising layouts to movie posters. Most posters include clear, effective examples of good layout.

- Discuss Supplement 4 and Transparency Masters 1-3.

Objective 8 Identify the type of balance created in advertisements.

- Present examples of formal and informal balance.

- Have clients identify examples of each type of balance.

- Have clients suggest attitudes that are best reflected by formal or informal balance. For example, stateliness and decorum are usually represented with formal balance; youth and relaxation with informal balance.

Objective 9 Discuss characteristics of good headlines.

Objective 10 List purposes of subheadings.

- Stress that headlines (and advertisements) are not meant to give detailed information. Their purpose is to attract customers.

- Have clients identify ads they think are particularly effective and count the number of words in the headlines. Show examples of national ads that use only 2 or 3 words to present an effective message.

- Have clients find advertisements with long or numerous headlines and suggest ways they could be shortened. Be sure to discuss editing and artwork as alternatives.

- Have clients survey words used in headlines. Have them compare the length and complexity of effective and ineffective headlines. Have them note how headlines could be changed in meaning by using slightly different words, such as "Best Buy" being changed to "Cheapest" or "Irregular" being changed to "Damaged.

- Discuss Transparency Masters 4 and 5.

Objective 11 Identify characteristics of good copy.

- Obtain examples of each characteristic or have clients suggest examples.
- Have clients suggest examples of ads that break these rules and discuss how the ad could be improved.
- Explain that these rules can be used in a variety of places: menus, business cards, and sales receipts, etc.
- Have clients compare printed and spoken ads. Ask them if the rules apply to both. Ask if there are differences in how they are applied.

Objective 12 Discuss basic principles for using illustrations.

- Provide examples of clip art books and local sources.
- Have clients discuss characteristics of a business represented by artwork. For example, a grocery store ad may feature a horn-of-plenty; a discount store may include dollar signs in its ad; a tanning salon may use a picture of a beautiful beach.
- Discuss Transparency Masters 6 and 7.

Objective 13 List considerations for selecting a newspaper advertisement location.

- Give examples of newspaper sections and have clients suggest businesses whose clients would probably read that section. Do the same thing with a variety of magazines, television times, and radio stations.
- Discuss not only location, but also time of publication. Wednesday newspapers, for examples, traditionally include grocery ads.

Objective 14 List basic rules for using color in an advertisement.

- Have clients compare color and non-color ads. Have clients "color in" a black and white ad.

Objective 15 Identify methods of using white space in an advertisement.

- Have clients find ads that use white space in a variety of ways and discuss why they are or are not effective.
- Discuss Transparency Master 8.

Objective 16 Discuss basic principles of layout designs.

- Have clients rearrange previously used ads according to principles.
- Invite a graphics artist to discuss layout.
- Discuss Transparency Masters 9-15.

Objective 17 Identify the main focal point of an illustration.

- Discuss Transparency Masters 16 and 17.
- Show examples of ads that include headlines or artwork away from focal points. Have clients compare them to ads that follow focal point guidelines.
- Have clients check television advertisements to see if they also follow focal point guidelines.
- Show how newspapers use the same guidelines for page layout. Relate this to choice of newspaper ad location.

Objective 18 Discuss the importance of timing in advertising and sales.

- Use Handout 1 to illustrate and explain timing.
- Choose a specific example of a shopping event, such as the beginning of school, and explain how a business might prepare to advertise in advance of the actual date and how the timing of the advertising will be related to the sales.
- Point out that factors, such as local payrolls, must be considered.

Objective 19 State the five steps used to develop a monthly sales plan.

- Supply clients with the grid paper they will need to work in Activity Sheet 3.
- Help clients tie all of the previous material to the objective by reviewing sales goals and budget considerations as well as shopping events.

Objective 20 List methods to determine if ads can increase sales.

- Using the supplements, make up a fictitious product and follow through the process from the plan, checking a fictitious ad for effectiveness, and pointing out what to avoid in an ad.
- Discuss how analyzing advertisements can affect budget and inventory.
- Have clients complete Activity Sheet 2.

Objective 21 List advertising methods for promoting your business in your marketing area.

- Distribute sales schedules and forms for local advertising companies, newspapers, billboard companies, etc.
- Have clients note local advertising opportunities such as buying a panel at the baseball field.
- Discuss Supplements 5 and 6.
- Explain the "Law of 250."
- Discuss how to select trade shows to get in the right market.

APPLICATION

Objective 22 List the shopping events your business might utilize in the next year.

- List holidays, special local events, and seasons that affect your business.
- Invite someone whose business relies heavily on a special season or holiday to discuss planning and advertising. Chimney sweeps, air conditioning repair services, and floral shops are good possibilities.

- Have clients complete Activity Sheet 1 to schedule possible shopping events in the coming year.

Objective 23 Check advertisements for their effectiveness.

- Have clients complete Activity Sheet 2 to determine the effectiveness of advertisements.
- Encourage clients to evaluate their own ads, whether proposed or already used.

Objective 24 Develop a monthly sales plan for your business.

- Compare monthly sales and business plans and discuss how they affect budgeting and inventory.
- Have clients complete Activity Sheet 3 to develop a sales plan.

Objective 25 Prepare an advertisement using the major parts of an ad and creative techniques of copy and layout.

- Have clients complete Activity Sheet 4 to prepare an advertisement.
- Have clients evaluate their prepared ad, according to all unit information.

SUGGESTED RESOURCES

Publications

- International Newspaper Advertising and Marketing Executives:

  "Figures for Average Percentage of Sales Invested in Advertising."

  "Timing: When and How Retailers Should Advertise."

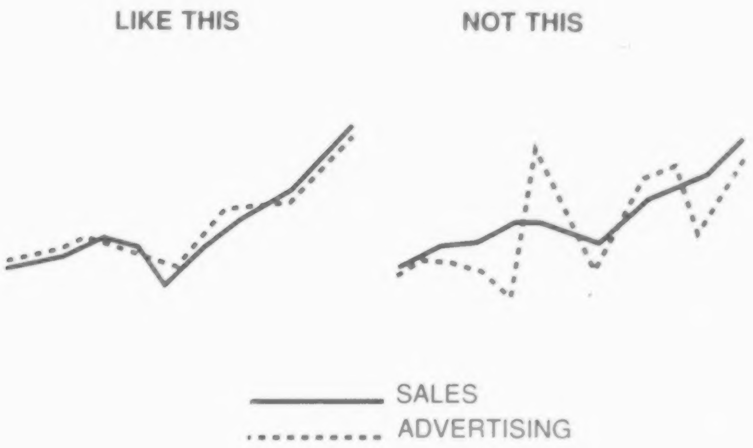
- National Advertising Bureau, Division of the National Newspaper Association, "How to Check Your Ads for More Sell."
- Ogilvy, David, *Ogilvy on Advertising*, First American Edition, Crown Publishers, Inc., New York, N.Y. 10016. 1983.

UNIT REFERENCES

- Phillips, Michael, and Salli Rasberry, *Marketing Without Advertising*, First Edition, Nolo Press, Berkeley, CA 94710. 1986.
- Rapp, Stana, and Tom Collins, *Maxi Marketing*, McGraw-Hill, 1987.
- Livingston, J. Conway, *Gorilla Marketing, Gorilla Marketing Attack, Gorilla Marketing Weapon*. Plumb Books, 1990.
- Caples, John, *Tested Advertising Methods*, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1974.

TIMING: When and How to Advertise

Timing is essential to sound, profitable advertising. In general, the distribution of advertising funds should slightly lead the sales pattern. Advertising level should peak at those times when a store needs to create the greatest marketing awareness—not move the most merchandise.



Depending on the merchandise strategy of the individual retailer in this chosen area of emphasis in the fashion cycle, some stores present merchandise at the very beginning of the selling season, while others hold their promotion effort close to the peak selling period. Different advertising philosophies also lead to different styles and art treatments. For example, early-season advertising should feature illustrations because new styles or new products are not known, while end-of-season advertising can sell all in type (not only are major merchandise features low-priced, but assortments may be broken and not all items may be available at the price offered).

INFORMATION SHEET	ADVERTISING FOR SMALL BUSINESS	IX

OBJECTIVE 1

Define terms associated with advertising. (Supplement 1)

- **Advertisement** — A message, paid for by a sponsor, that informs people about a company and its services

  NOTE: An advertisement may present information about the sales and successes of the company itself, its products and services, or its personnel. It should be considered an investment.

- **Advertising goals** — Predetermined objectives for a mass communication activity. They may include increasing store traffic, changing the company's image, introducing new products, or capitalizing on seasonal offers
- **Advertising program** — A comprehensive plan, based on marketing research, and considering money available and methods to be utilized, for the purpose of generating the greatest number of sales per advertising dollar
- **Advertising budget** — Planned allocation of funds to be invested in advertising
- **Timing** — Knowing when to advertise based on sales goals or needs

  NOTE: Shoot when the ducks are flying.

OBJECTIVE 2

Define terms associated with sales.

- **Monthly sales plan** — Allows the small business owner to formulate a monthly budget, select promotions, determine timing, and develop a typical monthly calendar
- **Promotion policy** — The overall goals and objectives for developing a workable marketing and sales strategy
- **Shopping events** — Specially emphasized shopping promotions that are planned around specific calendar dates

OBJECTIVE 3 **Discuss aspects of developing a promotional program.**
(Activity Sheet 1)

- Review your company's goals and overall marketing plan.
- Be sure your business is ready to be promoted.
    - Physical appearance
    - Staff training
    - Displays
    - Inventory
- Check that your pricing practices are complete and discounts are easy for customers to understand.

OBJECTIVE 4 **List possible advertising goals for your business.**

- Produce immediate sales
- Introduce new products and services
- Announce special promotions
- Improve or change your company's image
- Inform customers of special services
- Introduce your company's employees to the public
- Link your advertising campaign to manufacturer's promotions
- Promote seasonal products
- Offer incentives to new customers
- Inform customers about products, services, or prices

OBJECTIVE 5 **Determine budgeting considerations for your business's marketing plan.** (Supplements 2 and 3)

- Stimulate primary demand
- New business promotional budget considerations

- How well the site is known to the public

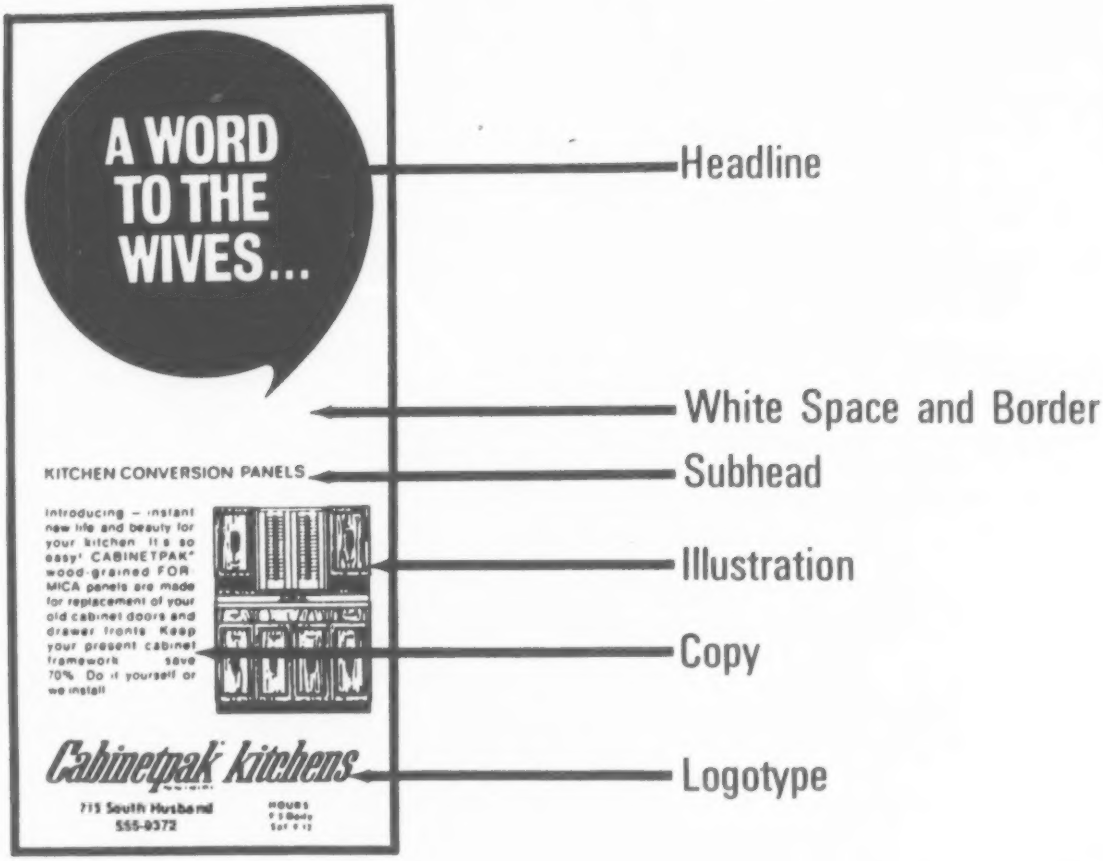
  NOTE: Vehicle or pedestrian traffic and store location

- Stimulate selective demand
- Store size
- Assist sales representatives in making customer calls
- Merchandise strategies
- How aggressively the competition is advertising
- Quality of promotional efforts
- Expense for media promotion and advertising

OBJECTIVE 6 **Define terms associated with advertising copy and layout.**

- **Copy** — Words and printed material on an advertisement
- **Formal balance** — Elements spaced evenly on both sides of an advertisement
- **Informal balance** — Elements are not the same on both sides (symmetrical), balance is obtained by varying distance of the larger, heavier elements from the center
- **Layout** — Arrangement of copy and illustrations on the printed page
- **Logotype** — Name or symbol of the store or company
- **Proof** — Copy of an advertisement which is given to the advertiser to be checked for errors before being printed or played
- **Slick book** — Book supplied by print shops and newspapers from which advertisers may select non-copyrighted illustrations
- **Type face** — Style of letters used in the copy
- **White space** — Unprinted areas within the borders of an advertisement

OBJECTIVE 7 **Identify the major parts of an advertising layout.** (Supplement 4, Transparencies 1-3)



A WORD TO THE WIVES...

KITCHEN CONVERSION PANELS

Introducing — instant new life and beauty for your kitchen. It's so easy! CABINETPAK® wood-grained FORMICA panels are made for replacement of your old cabinet doors and drawer fronts. Keep your present cabinet framework ... save 70%. Do it yourself or we install.

Cabinetpak® kitchens

715 South Husband
555-0372

HOURS
9-5 Daily
Sat 9-12

Headline
White Space and Border
Subhead
Illustration
Copy
Logotype

OBJECTIVE 8 **Identify the type of balance created in advertisements.** (Transparency 4))

- **Formal balance** — Gives a feeling of calmness or dignity
- **Informal balance** — Gives a feeling of force, movement, surprise, or excitement

  NOTE: To test the balance of an advertisement, look at it in a mirror or turn it upside down.

OBJECTIVE 9 **Discuss characteristics of good headlines.** (Transparency 5)

- Catches prospective customers' attention
  - An ad has approximately three seconds to catch a reader's attention.
  - A good headline stresses "you" and "yours," arouses curiosity, and sounds like exciting news.
- Leads prospective customer to read the rest of the ad
  - Indicates the type of merchandise and content of the ad
  - Stresses customer benefits
  - Appeals to customer's buying motives
- Is always honest
- Is easy to read
  - Written in straight lines with the words reading from left to right

    NOTE: Studies show that this type of headline is more effective than a headline which is vertical, slanted, or backwards.
  - Little or no punctuation within the headline

    NOTE: Punctuation should be limited to an occasional exclamation point or question mark at the end of the headline

  - Hyphenated words not used
  - White letters on a black background avoided
  - Number of headlines limited
- Is timely; uses words, phrases, and ideas that are currently popular
- Uses action verbs

  EXAMPLES: "Revel in a bath of imported oils"
  "Savor the flavor of homemade biscuits"

- Uses persuasive selling words

  EXAMPLES: You, money, save, new, free, friend, results, health, easy, safety, quick, now, love, discovery, proven, guarantee, bargain

- Is easily recognized as the store's ad before seeing the logotype because of the ad's entire effect or style

OBJECTIVE 10 **List purposes of subheadings.** (Transparency Master 5)

- Breaks monotony
- Explains the headline further
- Give clues to the main points covered in each block of copy
- Helps the reader choose those parts of the ad in which he/she is most interested

OBJECTIVE 11 **Identify characteristics of good copy.**

- Gives reasons for buying the product (buying motives and customer benefits)
- Gives reasons for shopping in the store
- Urges the reader to buy now

  EXAMPLES: "Limited supply"
  "This week only"
  "Enclosed coupons"

- Avoids cliches

  EXAMPLES: "Tried and true"
  "Last but not least"

- Avoids abbreviations
- Uses specific descriptions

  EXAMPLES: Shows a map rather than saying you're easy to get to, lists brands rather than saying you have the best

- Includes important store information

  EXAMPLES: Address, telephone number, credit cards accepted, free parking

- Sounds enthusiastic
- Is informative
- Is fun to read
- Does not use too many kinds of type face
- Uses mostly complete sentences
- May begin with bold letters

OBJECTIVE 12 **Discuss basic principles for using illustrations.**
(Transparencies 6 and 7)

- Obtain illustrations from clip art books or slick books
- Present merchandise effectively
- Guide the reader's attention to the advertising message
- Price all related items

  EXAMPLE: If a dinette set includes only a table and chairs but a matching china closet is shown in the background of the illustration, the china closet should be priced separately to avoid confusion and accusations of false advertising

- May be the dominant attention-getter for the ad

OBJECTIVE 13

List considerations for selecting a newspaper advertisement location.

- The outside edge of page is easier to see when the reader is just thumbing through the newspaper.
- Choose a particular section of the newspaper that is widely read by prospective customers.

EXAMPLES: Ads appealing primarily to men may be most effective in the sports section.

Restaurant ads may be most effective next to the movie advertisements.

OBJECTIVE 14

List the basic rules for using color in an advertisement.

- Use color only if it dramatizes the merchandise and increases sales enough to justify the additional cost.
- Use only the purest and brightest colors.

NOTE: Red is one of the most effective colors to use in an ad.

OBJECTIVE 15

Identify methods of using white space in an advertisement. (Transparency Master 8)

A lot of white space gives a feeling of luxury or prestige. A lot of black print brings bargains to mind.

- Indent from the thin column border before beginning the ad's border.
- Use simple panel forms to help group information.
- Allow elements of the layout to touch the boundary only once on each of the four sides.

OBJECTIVE 16

Discuss basic principles of layout designs. (Transparencies 9-15)

- The eye should move smoothly from the top of the ad, through the center, and to the bottom of the ad; white space, lines, direction the illustration is facing, and copy help the eye to flow through the ad.

- Follow the shapes of letters of the alphabet.

  EXAMPLES: S, C, Z, J, I, A, H, L, O, T, U, K

- Keep each element of the ad in proportion and harmony with the other elements.

OBJECTIVE 17 **Identify the main focal point of an illustration.** (Transparencies 16 and 17)

- Draw a diagonal line connecting the upper left corner and the lower right corner.
- Draw a line from the upper right corner to meet the diagonal line.
- For an alternative, quick, approximate position of the focal points, divide each side of the ad into three parts.

OBJECTIVE 18 **Discuss the importance of timing in advertising and sales.**

- Timing is important to any advertising and sales promotion effort and should influence the pattern of sales for your company.
- The highest advertising expense and effort should fall at the period(s) of highest sales or marketing awareness.
- Merchandise presentation can be made either at the onset of the season or closer to a peak sales period.
- Early season advertising needs to include illustrations to introduce products and styles.
- Advertising at the season's end can omit illustrations and utilize type only, since selections will be somewhat limited by then.

OBJECTIVE 19 **State the five steps used to develop a monthly sales plan.**

1. Establish sales goals.
2. Set a monthly budget.

3. Decide on promotions.

4. Determine frequency of ads.

5. Set up a monthly calendar.

OBJECTIVE 20 **List the methods to determine if ads can increase sales.** (Activity Sheet 2)

- Start with a plan.
- Select the right product to advertise.
- Check copy and layout for the *essentials* of a good ad.
- Know what to avoid in your copy and layout.

OBJECTIVE 21 **List advertising methods for promoting your business in your marketing area.** (Supplements 5 and 6)

Low-cost

- Networking
    - —Trade shows
    - —Speeches at civic groups
    - —Join professional organizations
- Banners and flyers
- Get involved in charity activities and youth/adult sports
    - —Ball teams
    - —Bowling teams
- Flyers to customer base (direct mail)

Variable cost

- Direct mail
- Radio
- Television
- Handbills/flyers
- Newspaper
- Trade publications
- Specialty (T-shirts, calendars, pens)
- Catalogs

ADVERTISING FOR SMALL BUSINESS

INTRODUCTION - OVERVIEW

Advertising is a business of ideas. The purpose is to communicate these ideas on a mass level. For the small business owner advertising usually does not, in itself, create sales. Advertising does, however, create traffic and interest, which gives the business owner an *opportunity* to generate sales. If a product or service is inferior, the attitudes of the employees are poor, or the facility reflects a less-than-desirable image, advertising can have a reverse effect and accelerate the failure of the company.

The backbone of a business is the product or service. It does not necessarily have to be of superior quality, but it must be priced according to its quality. Advertising can sell value, but it cannot make up for lack of value. The old saying, "You can't make a silk purse out of a sow's ear" certainly applies to the mass communication process. Good advertising cannot hide product inferiority for long. In fact, advertising will shorten the life of an inferior product because mass communication puts it in the public eye in a rather short period of time.

Since advertising is **not** a magical force which will insure success, it is necessary to plan a complete promotion program which is totally cognizant of the sales goals of the company. Sometimes money can be wasted by advertising good products if the business is poorly managed. If salespeople are **rude** or **untrained**, money should be spent on recruiting and training to correct these problems before spending money on advertising. An advertising program does not have to be expensive to succeed. With advertising dollars, as with any other expenditure, it is not how much is spent, but how well it is spent.

Another old saying is that "Half of all advertising dollars are wasted. The only question is, which half?" To some extent, advertising is a trial and error process; i.e., what gets desired results and what does not get desired results. The small business owner does not need to attempt to re-invent the wheel. There are time-proven practices and principles which, if followed, can minimize wasting promotional resources considerably.

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AVERAGE PERCENTAGE OF SALES INVESTED IN ADVERTISING

(Net figures before co-op advertising funds)

Class of Business	Average	Class of Business	Average
Appliance, Radio, TV Dealers	2.3%	Food Chains	1.1%
Under $500,000	2.2%	Furniture Stores	5.0%
Over $500,000	2.3%	Under $50,000	5.0%
$1,000,000 and over	2.3%	$500,000-1,000,000	6.2%
Auto Accessory and Parts Stores $50,000-200,000	0.9%	$1,000,000-2,000,000	5.0%
Auto Dealers (New Car/ Franchised)	0.8%	$2,000,000-5,000,000	4.8%
Auto Parking and Repair Service	0.9%	$5,000,000 and over	4.6%
Bakeries	0.7%	Gasoline Service Stations	0.8%
Banks (Commercial)	1.3%	Gift and Novelty Stores	1.4%
Beauty Shops	2.0%	Hardware Stores	1.6%
Book Stores	1.7%	Hotels Under 300 rooms	6.7%
Camera Stores Under 100,000	0.8%	300-600 rooms	7.0%
$100,000-250,000	0.8%	600 Rooms and Over	7.2%
$250,000-500,000	0.8%	Insurance Agents, Brokers	1.8%
$500,000 and over	0.8%	Jewelry Stores	4.4%
Children's and Infant's Wear Stores $25,000-50,000	1.4%	Laundromats Under $35,000	1.3%
Cocktail Lounges	0.9%	$35,000 and over	1.2%

Class of Business	Average	Class of Business	Average
Credit Agencies (Personal)	2.4%	Liquor Stores	0.9%
Department Stores	2.8%	Under $100,000	0.7%
$1,000,000-2,000,000	2.5%	$100,000-200,000	1.3%
$2,000,000-5,000,000	2.9%	Lumber and Building Material & Dealers	0.6%
$5,000,000-10,000,000	2.8%	Men's Wear Stores Under $300,000	2.4%
$10,000,000-20,000,000	2.8%	$300,000-500,000	2.6%
$20,000,000-50,000,000	2.7%	$500,000-1,000,000	2.8%
$50,000,000 and over	2.4%	$1,000,000-5,000,000	3.2%
Discount Stores	2.4%	$5,000,000 and over	3.4%
Independent Drug Stores	1.3%	Motels	3.7%
Under $70,000	1.1%	Motion Picture Theaters	5.5%
$70,000-100,000	1.0%	Music Stores	1.8%
$100,000-200,000	1.3%	Office Supplies Dealer Under $500,000	0.9%
$200,000-300,000	1.3%	$500,000-1,000,000	0.7%
$300,000-400,000	1.2%	$1,000,000-5,000,000	3.2%
$400,000 and over	1.4%	Over $2,000,000	0.6%
Dry Cleaning Stores	1.7%	Restaurants Under $50,000	0.6%
Florists	2.1%	$50,000-100,000	0.9%
Paint Glass & Wallpaper Stores	1.3%	$100,000-200,000	1.7%
Photographic Studios and Supply Shops	2.4%	Savings Banks (Mutual)	1.5%

Class of Business	Average	Class of Business	Average
Real Estate Operators (except Developers) & Lessors of Buildings	0.6%	Savings & Loan Associations	1.5%
Subdividers, developers and Operative Builders	3.1%	Sporting Goods Stores	3.5%
Other Real Estate and combinations of real estate, insurance, loan and law offices	4.0%	Shoe Stores	1.9%
		Specialty Stores	3.0%
		Taverns	0.7%
		Tire Dealers	2.2%
		Travel Agents	5.0%
		Variety Stores	1.5%

Sources:

- National Appliance & Radio-TV Dealers Association
- Accounting Corporation of America, Inc.
- National Automobile Dealers Association
- Advertising Age
- Modern Beauty Shop Magazine
- American Booksellers Association
- Modern Photography Magazine
- National Retail Merchants Association
- Newspaper Advertising Bureau
- National Association of Chain Drug Stores
- Lilly Digest, Eli Lilly and Company
- National Home Furnishings Association
- National Retail Hardware Association
- Laventhol Krekstein Horwath & Horwath
- Jewelers' Circular-Keystone
- Menswear Retailers of America
- National Office Products Association
- National Association of Mutual Savings Banks
- United States Savings & Loan League
- National Sporting Goods Association
- National Tire Dealers and Retreaders Association
- American Society of Travel Agents

MONTHLY SALES PLAN

Department or merchandise group	Month's sales last year	%	Month's sales goal this year	%
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
TOTALS	$	(100%)	$	(100%)

WHAT TO AVOID IN COPY AND LAYOUT

1. **Don't forget your store name and address.** Check every ad to be certain you have included your store name, address, telephone number, and store hours. Even if yours is a long-established store, this is important. According to U.S. government statistics, one out of every 10 families in your town probably moves each year. Don't overemphasize your signature, but make it plain. In a large ad, mention the store name several times in the copy.

2. **Don't be too clever.** Many people distrust cleverness in advertising, just as they distrust salesmen who are too glib. Headlines and copy generally are far more effective when they are straightforward than when they are tricky. Clever or tricky headlines and copy often are misunderstood.

3. **Don't use unusual or difficult words.** Many of your customers may not understand words which are familiar to you. Words like "couturier," "gourmet," "coiffure," as well as trade and technical terms, may be confusing and misunderstood. Everybody understands simple language. Nobody resents it. Use it.

4. **Don't generalize.** Be specific at all times. Shoppers want all the facts before they buy. Facts sell more.

5. **Don't make excessive claims.** The surest way to lose customers is to make claims in your advertising that you can't back up in your store. Go easy with superlatives and unbelievable values. Remember: if you claim your prices are unbelievable, your readers are likely to agree.

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NETWORKING

WHAT IT IS, WHAT IT CAN DO FOR YOU, HOW YOU DO IT

Networking is one of my favorite topics. I like the activity of networking, because it is creative. We can take the basic concept, and shape it to suit our individual personalities and our own goals. I like it because we can all do it successfully, and because the more we do it, the better we become.

Networking produces tangible results. There is so much hype these days about what the working woman must be—we've got the "superwoman complex," we've got the "power look," with the suit, the briefcase, the little pumps. We're supposed to walk the thin line between assertiveness and aggressiveness, and read the *Wall Street Journal* every day.

I can't help feeling that focusing on all these trappings is some kind of a plot to divert us from the meaningful issues in our working lives...things like equal opportunity, career advancement and respect for our ideas and our accomplishments.

Those of you who know me, know that I live the trappings—the ultimate briefcase, the eelskin portfolio, the Ann Klein leather calendar, the perfect fountain pen—all the "statusy" things. It's a hobby, like bowling or stamp collecting. Depending on these trappings to bring you success will get you one thing—over the limit on your Mastercharge!

Networking, on the other hand, is the working woman's most powerful tool for succeeding where you are now...and for getting where you want to go.

We could discuss this subject for days, but we have only minutes, so I've chosen to concentrate on the basic requirements of networking, as they apply to us here at the Department of Licensing.

Before we get started, let's see what kind of a mix we have among you. When I get to a statement that applies to you, please raise your hand.

1) You've been consciously networking for years, you've perfected your technique and you could lead this discussion.

2) You're beginning to see the value of networking and you want to build your skills.

3) You're not sure about this networking business, but would like to build your skills.

4) You couldn't find anyplace else to eat lunch.

We're going to run right through the basic laundry list of what it is, what it can do for you and how you do it, because I want to leave some time for questions and comments.

First...*networking is a natural human function.* It's like breathing. We do it all the time without consciously noting when we inhale and when we exhale. Each one of us has a network that helps us function in daily life (doctor, lawyer, mechanic, church, community organization, colleagues).

Networking is the way you found out about that wonderful house for rent that was never listed in the newspaper. Networking is how you found out the sofa you've decided to buy today is going on sale tomorrow.

The point of today's discussion is how to put those native networking skills to work on the job.

Second...*networking is an investment.* The more you invest, the more rewards you can reap. There are three elements that are indispensable to networking: visibility, familiarity and image.

Visibility means to see and be seen. You've got to participate. You've got to be where the action is.

Familiarity means to know and be known. If you don't know people, how will you get the word out that you're the greatest thing since sliced bread? If you are an unknown quantity, you will be overlooked.

A good image inspires people to think well of you. It does no good to have people spread the word that you're difficult to deal with, insensitive, disinterested, with a lot of hangups.

Emily Cho, a widely recognized authority on image, says we have ten seconds in which to make a lasting impression on the people we meet. If this is the case, we must put some thought and care into the way we present ourselves. I heartily recommend Cho's book on the subject, entitled: *Looking, Working, Living Terrific 24 Hours a Day*.

Now let's look at the question of what networking can do for you. The answer is: everything! Everyone has heard the saying: "It's not what you know, but who you know." This is reality, folks. No matter how educated, competent, talented and experienced you are, it isn't enough. Do we believe this is the case in our agency? Consider this.

A new woman appears in the agency. Through our network, we find out she's a temporary appointment—no civil service exam. The first thing we do is find out her classification. The second thing we do is whip out the Compensation Book and determine her salary range. The third thing we do is conduct an exhaustive search for her connection. How did she get this job? Who does she know? Nobody walks in here off the streets without some connection somewhere. We do not rest until we find that connection.

Networking opens doors. It can give you inside information that will help you in your work, or keep you from making the wrong decisions. It can provide opportunities that you would not discover on your own. It can get you into the center of what's happening. It gives you a chance to show what you can do.

I'll tell you something that happened this weekend. Along with several women from this department, I attended the Women Plus Business Conference in Seattle. The famous Mary Cunningham was the featured speaker and over a thousand women registered for the two days of seminars.

On the last day, the women from Licensing had planned to sit together at lunch. When I arrived, my place was taken and I had to join a table in the far corner of the room, by the kitchen door. There were four women at the table. Two of them stared at their plates all through lunch, not even acknowledging the rest of us. I chatted with the other two women about the quality of the speeches we had heard so far. They seemed quite interested in my opinions, and I mentioned that my viewpoint is rather technical, since speechwriting is part of my job.

After this enjoyable and stimulating luncheon conversation, the two women introduced themselves as the conference planners, and asked if I would be interested in doing some workshops on speechwriting and public speaking at the University of Washington! We exchanged business cards and they said they would get in touch.

Even if these colleagues from the University never call, they will remember me and they will mention my name. Eventually, somebody will call, and I will have a chance to get more exposure in my area of expertise.

If I had given in to the disappointment over being separated from my colleagues, and let the clatter from the kitchen distract me, I would have missed a golden networking opportunity.

Now for the laundry list—how you do it.

1) *Decide who you are at work.* What is your image? Then portray those characteristics consistently. Every day, every hour, every minute.

2) *Speak to everyone.* Don't pick and choose. Everyone in your work environment is important.

3) *Participate in what's happening around you.* Bring the salad to the potluck. Give the dollar to whatever fund drive the governor is pushing at the moment.

4) *Be interested in people and they will be interested in you.* (visibility and familiarity).

5) *Extend yourself.* When you have an opportunity to do someone a favor, for heaven's sake do it. It's like a savings account. By doing favors, you save up for the time you need a little help.

6) *Never underestimate the power of simple courtesy.* Your courtesy may not be returned or remembered, but discourtesy will. Do not neglect gratitude. Say thank you. Better still, say it in writing. A simple note of thanks is money in the bank and you will be remembered.

7) *Master small talk.* You notice I didn't say like small talk. It is a skill essential to networking, so you need to be good at it.

8) *Make yourself approachable.* Picture this: you're on a tight schedule and every minute counts. You look down at your watch, and realize it has stopped. You've got to know what time it is. You're on the first floor of this building and people are rushing to and fro. Say you have a choice of ten people. You will likely choose the person who seems most approachable. It's a matter of "vibes." Particularly in a group situation, we want to give off an aura of friendliness and openness. Approachability.

9) *Give strokes where strokes are due.* You cannot lose! Make sure it is sincere and be specific. Again, writing is a good way to go. In complimenting someone under your supervision, say why the work is outstanding. In praising a speech you especially enjoyed, tell the speaker something that particularly impressed you or enhanced your understanding.

10) *Maintain a positive outlook.* This means less complaining and more flexibility. Don't be the one who can always be counted on to gripe and moan. It means enthusiasm. If you appear to like your job, people will think you're good at it. Look beyond the setbacks, disappointments and insults of the moment and think of the investment you're making in your personhood and in your career.

In networking, as in life, you reap what you sow.

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SALES AND MARKETING EXECUTIVES ASSOCIATION

ROUND TABLE DISCUSSION
OCTOBER 19, 1990

ONE-ON-ONE PROMOTION...The art of personally promoting yourself and your company.

Our first "Round Table" was a huge success. The four panel members, Shelly Soliz, Cara Langer, George McDowell and Rick Green provided many super ideas. A common thread which was mentioned by all the panel members was to find ways to "give back" to the community which supports us. More simply put, get involved in the needs of your community and help provide solutions to those needs.

Shelly Soliz, Professional Image
Civic Organizations
Shelly shared three key networking points.

1. Be seen and see other people.
2. Familiarity. Know and be known by other people. Introduce yourself to others. Let them know what you do and show interest in what they do.
3. Projecting a good image. Inspire others to think well of you. Be consistent in promoting yourself to others.

Additional Points

1. Decide who you are at work. What is your image? Then portray these characteristics consistently.
2. Speak to everyone...everyone is important.
3. Participate in what is happening around you.
4. Be interested in people and they will be interested in you.

5. Extend yourself. When you have an opportunity to do someone a favor, do it. It's like a savings account...an investment in your future.
6. Never underestimate the power of simple courtesy.
7. Master small talk...it is an essential skill of networking.
8. Make yourself approachable...give off an aura of friendliness and openness.
9. Give strokes where positive strokes are due. Praise those around you when they earn praise.
10. Maintain a positive outlook. If you appear to like your job, people will think that you are good at it.

There is a tremendous amount of civic organizations in the metro Oklahoma City area. Select one and get involved. It is part of giving back to the community even if it is only one hour a month. Shelly offered to share a directory of civic organizations to anyone interested.

Cara Langer, Little Caesar's Pizza
Public Relations
Promoting yourself and your business through public relations. Create an image for your company as a part of the community by giving back. Promote yourself through donations....both through product and financial contribution.

Get a group of volunteers involved in a fundraising effort with your company being the catalyst providing the leadership. Usually the costs of giving are low when you compare the value of getting your company name known in a positive way. Get involved in community projects which are important to your community and get the press to help you promote the activity. "The name of the game is getting your name out there."

George McDowell, Homer Miller Corporation
Group Presentation

George shared the "Law of 250" — each one of us know almost 250 people and each of those people know 250 people. Making group presentations will help you become known in your industry. Plan to participate in the activities of the organizations you have joined. When you provide leadership in your market, you will find that people start to perceive you as an industry leader. Create a leadership image and buyers will come to you because they see you as a leading company. Positioning yourself as a leader can benefit you in many ways. Get involved in the trade association in your industry and at major meetings you will be recognized as an industry leader.

Identify your own area of expertise and join several speakers bureaus. Look for opportunities to speak before Chamber of Commerce groups and civic clubs. Share your knowledge in order to help get your name out. Groups are "dying" to have speakers for meetings.

Don't just join groups, get involved. If you travel in your business, SMEA can help you schedule speaking engagements in other cities across the nation.

Send thank you cards and birthday cards. As Shelly said, "Give positive strokes when positive strokes are due." Let people know that you really care. Send a small thank you gift with your company name visible in the gift.

The best way to promote yourself is to get a resume of yourself and employees in circulation. It helps people feel more comfortable in their job and keeps us aware of opportunities and changes in the marketplace.

Rick Green, Stillwater National Bank
Trade Shows and Exhibit Booths

Trade shows should be selected to expose you specifically to the market which you intend to reach. Trade shows are expensive in terms of investment of money and human resources. Use your trade show time well. Businesses must operate in such a way as to increase their margin, reduce their cost, increase their revenues, and work with a little bit of capital instead of a lot of capital. Businesses can't wait for customer's to come to them. You have to go to your potential customers.- "Get out and tell people that you exist."

Exhibit booths, trade shows or the right kind of events can be very rewarding. Establish a business plan before each event to define goals:

1. What is the event?
2. Who is going to be there?
3. Why do we want to be there?
4. Do we understand the needs of these people attending? If not, is there a way we can do a little research in advance to find out their needs?
5. Who will staff the booth?
6. Is there time to select the location of the booth at the show? Look for the best location.
7. What image will be projected at the show?
8. Will those in attendance have a good impression of us?
9. Are we pleased about how we look?
10. Can we learn from other exhibitors?

Always go with specific measurable goals. Try to sell to other exhibitors, especially during a slow show. Exhibit booths can be critical to the growth of your company. Look for events that will allow you to explore your business to your potential market.

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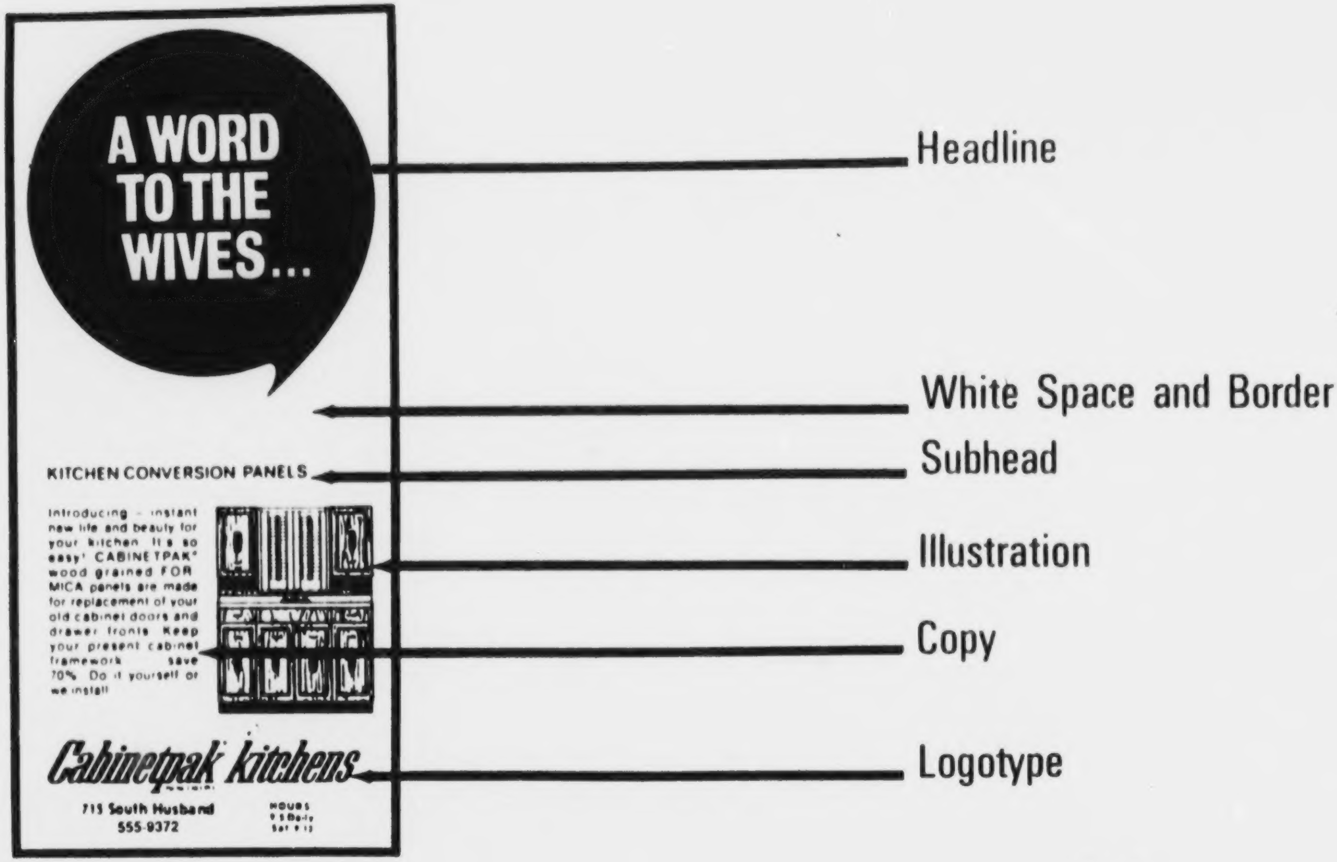
Major Parts of an Advertising Layout



A WORD TO THE WIVES...

KITCHEN CONVERSION PANELS

Introducing – instant new life and beauty for your kitchen. It's so easy! CABINETPAK® wood grained FORMICA panels are made for replacement of your old cabinet doors and drawer fronts. Keep your present cabinet framework... save 70%. Do it yourself or we install.

Cabinetpak® kitchens

715 South Husband
555-9372

HOURS
9-5 Daily
Sat 9-12

Headline

White Space and Border

Subhead

Illustration

Copy

Logotype

TRANSPARENCY MASTER 1 · SBM
IX · 47

TM 1

TRANSPARENCY MASTER 2 - SBM
IX - 49

Logotypes

McDonald's

Anthony's
C R ANTHONY CO

S
SHEPLERS

Meadow Gold

Southwestern Bell

MERCEDES-BENZ

GOODYEAR

MERCURY
LINCOLN

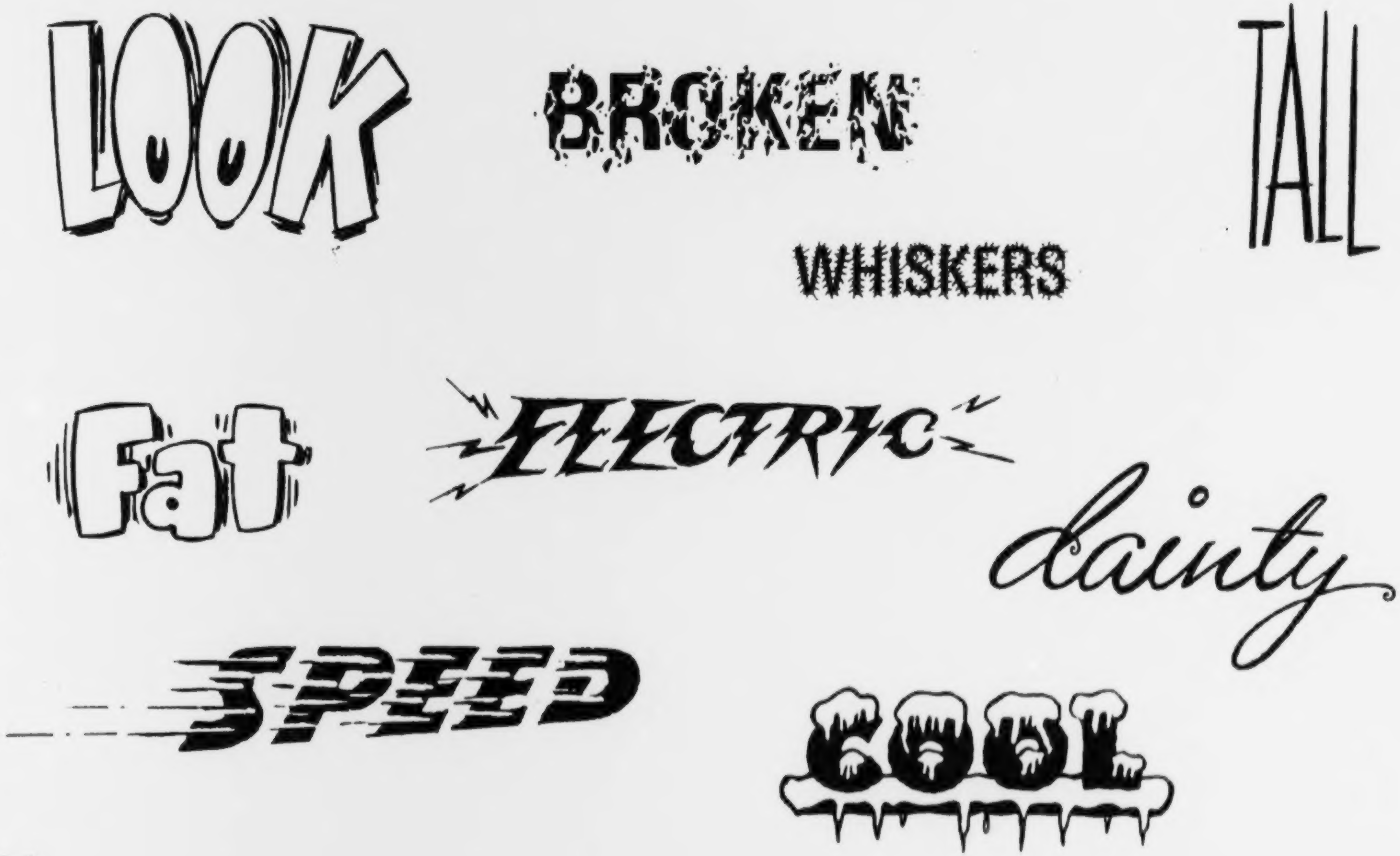
McGREGOR
McGREGOR

Sutherlands

HOMELAND

TM 2

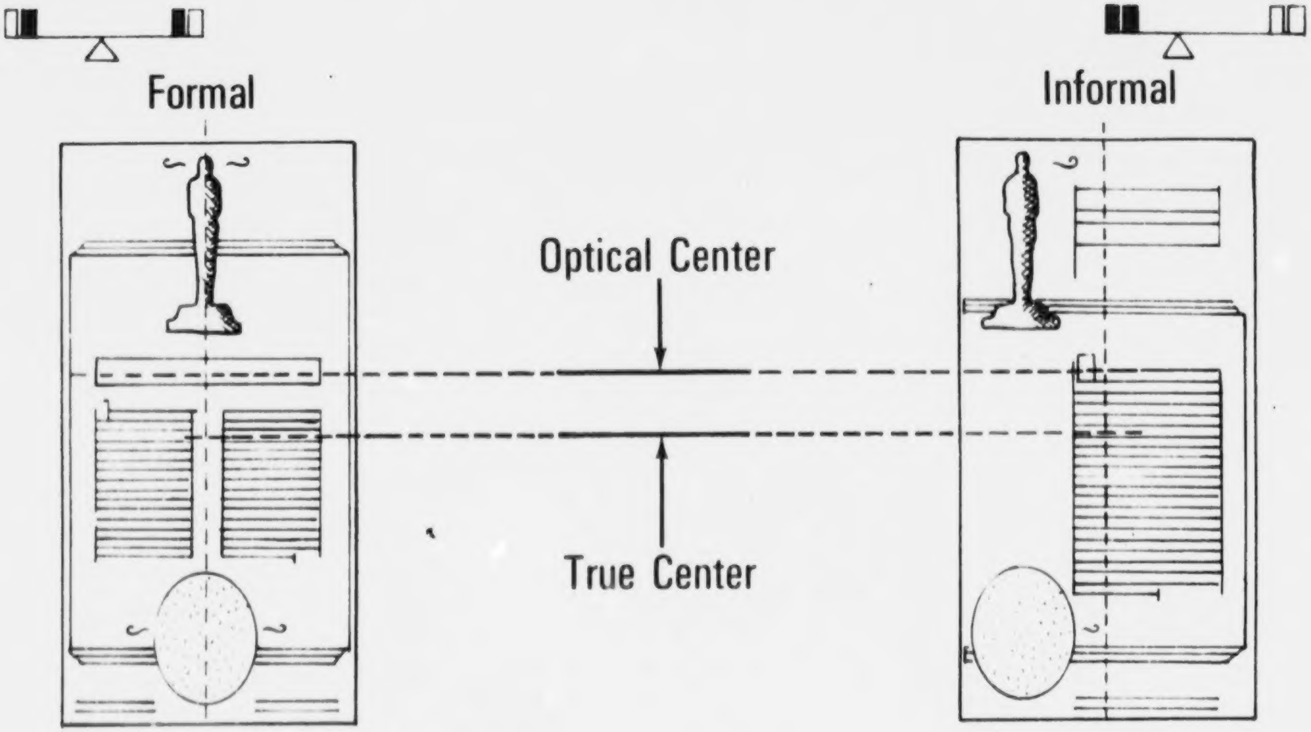
Expressive Lettering


LOOK
BROKEN
TALL
WHISKERS
Fat
ELECTRIC
dainty
SPEED
COOL

TRANSPARENCY MASTER 3 - SBM
IX - 51

TM 3

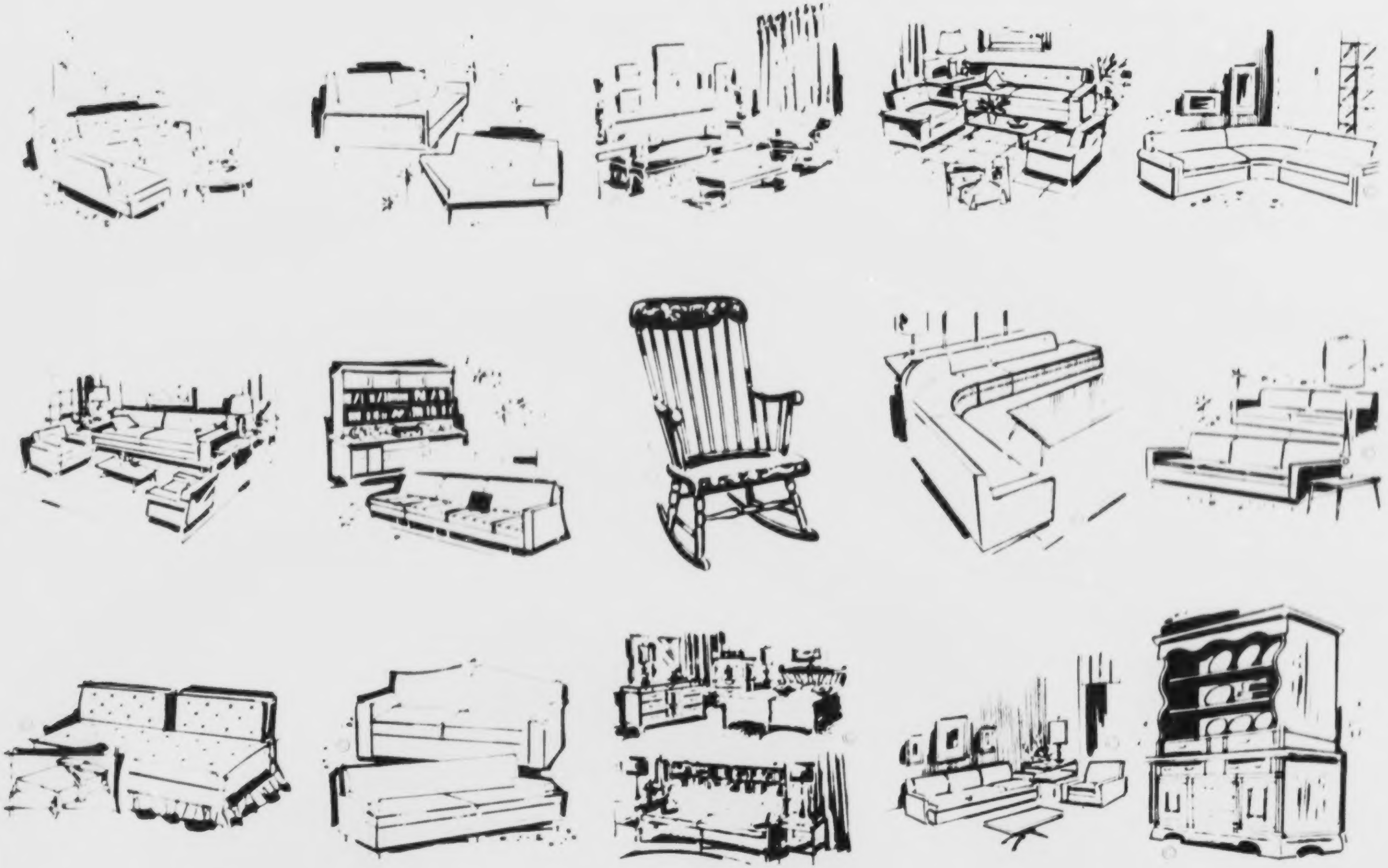
Balance


Formal
Informal
Optical Center
True Center

Too Many Headlines

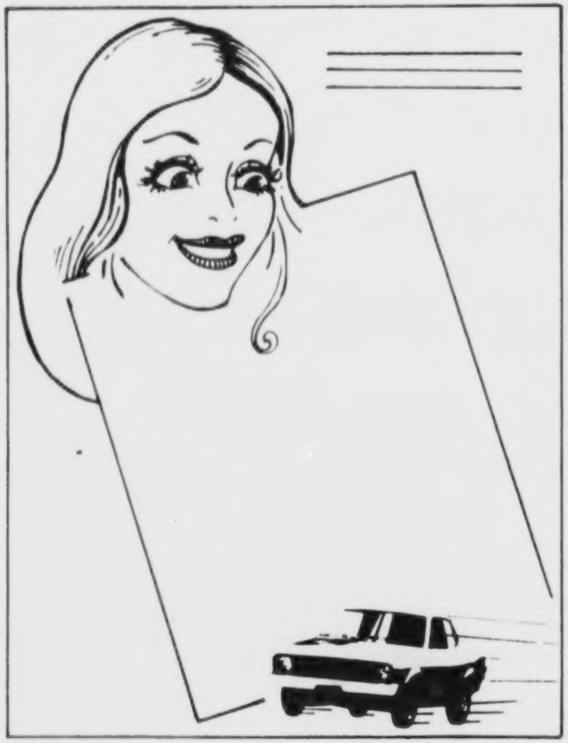
THE TRYAD ART GALLERIES
ESTABLISHED 1827
TRYAD and COMPANY, INC.
Denver and Canton Streets, Chicago, Illinois
A Very Wonderful Assemblage of
ORIENTAL RUGS and CARPETS
INCLUDING MANY
BEAUTIFUL CHINESE RUGS AND CARPETS
The Hainon Tokayan Collection
WILL BE SOLD AT PUBLIC AUCTION
JANUARY 25 TO FEBRUARY 7
Afternoon Sessions at 2:30 P. M.
Evening Sessions at 7:45 P. M.
CONTINUOUS EXHIBITION

Sample Page From a Clip Art Book

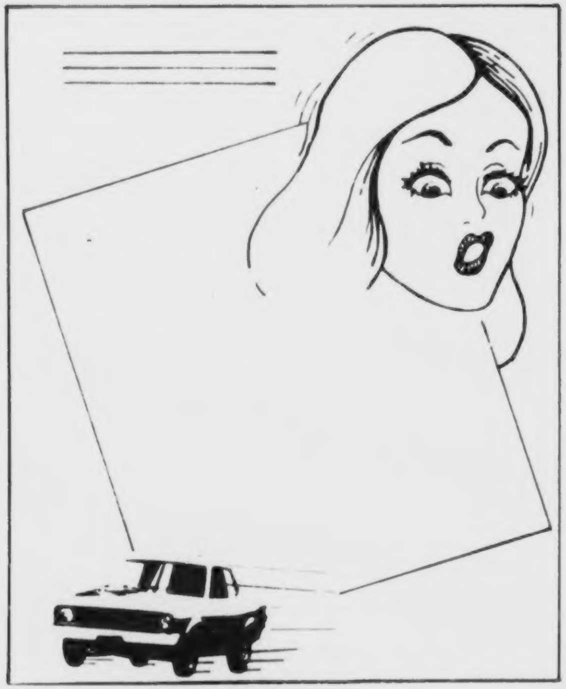


Illustrations Direct Attention to the Message

Illustrations and Action Statements Should Lead the Eye Into the Ad .... Not Out

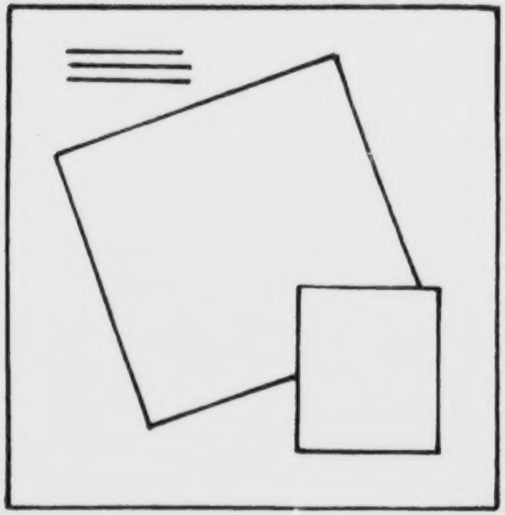


Right



Wrong

Panel Forms

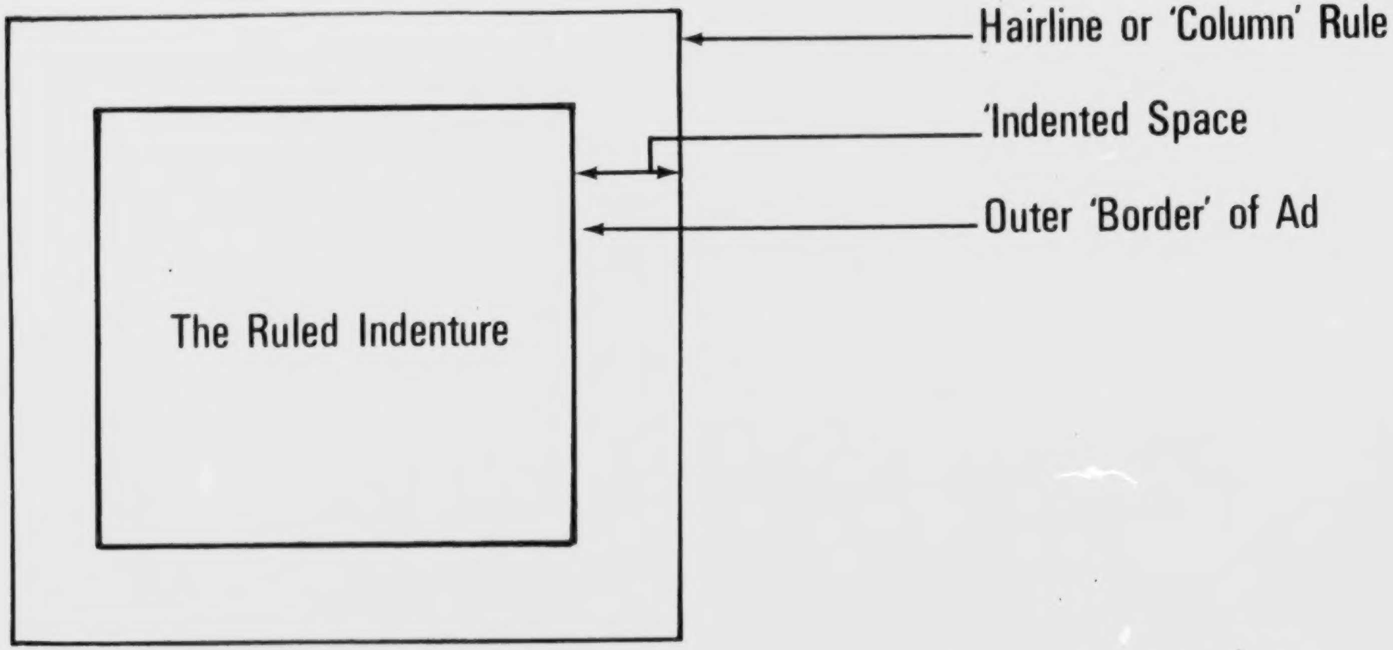


Use Simple Panel Forms to Assure White Space

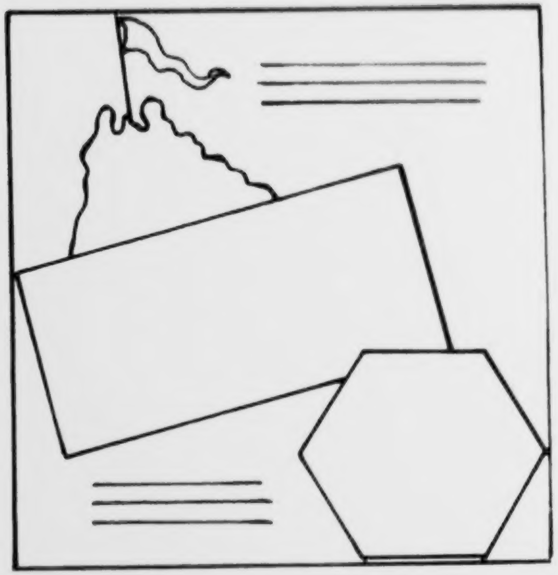
TRANSPARENCY MASTER 8 - SBM
IX - 61

White Space

Hints That Help in Assuring 'White Space'


Hairline or 'Column' Rule
'Indented Space
Outer 'Border' of Ad
The Ruled Indenture

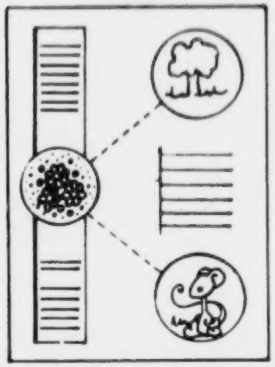
Four-Point Principle



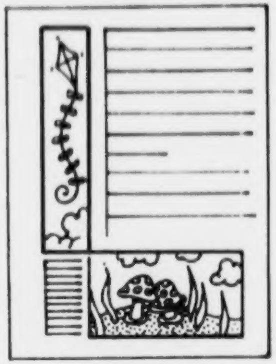
....Elements of Layout are Allowed to Touch the Boundary Only Once on Each of the Four Sides

Layouts from Simple Shapes

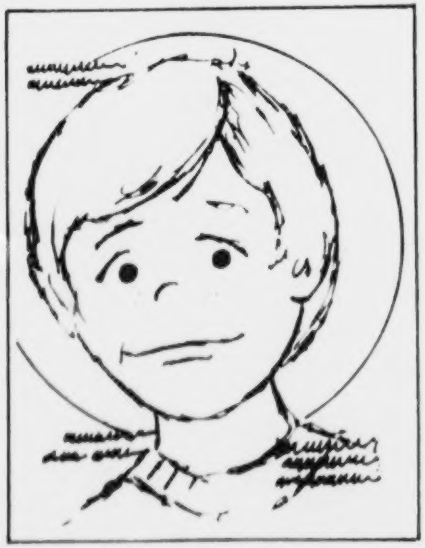
K



L



O



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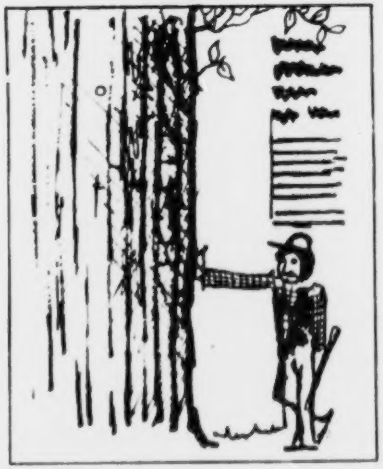
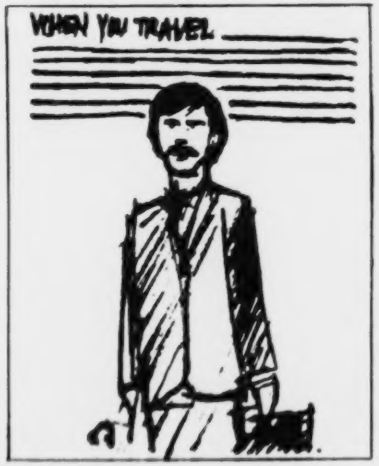


T

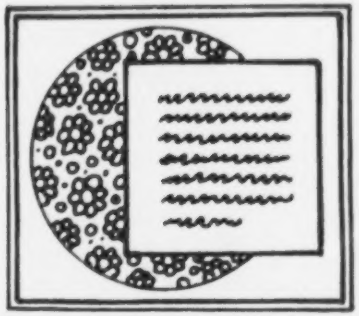

WHEN YOU TRAVEL

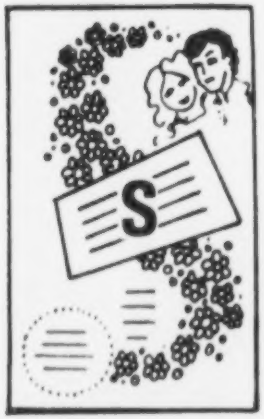
TRANSPARENCY MASTER 11 - SBM
IX - 67

TM 11

Layouts from Simple Shapes (Continued)

C





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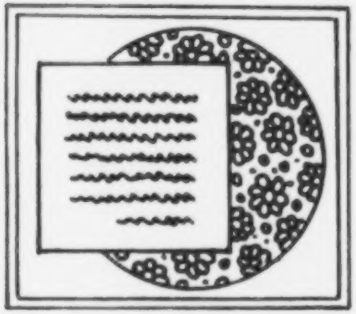
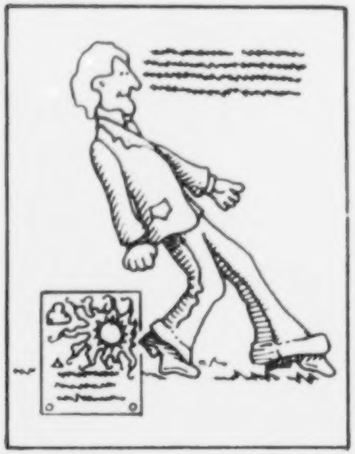
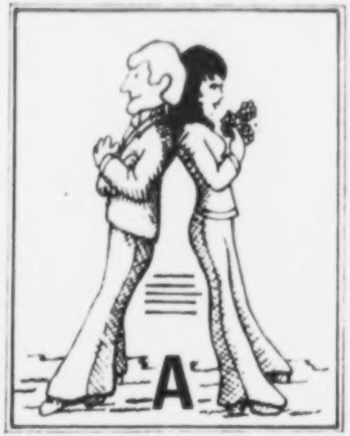
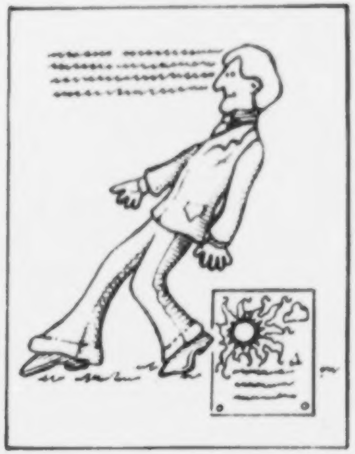


Z



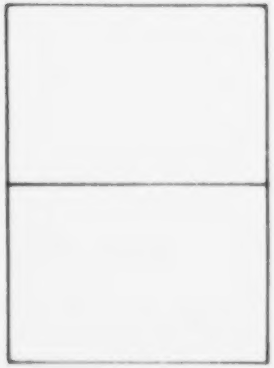


Z

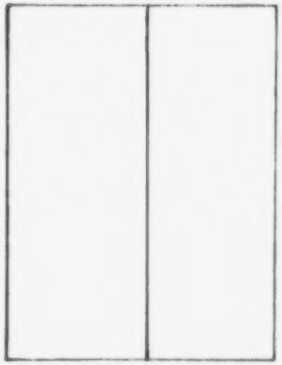


TRANSPARENCY MASTER 12 - SBM
IX - 69

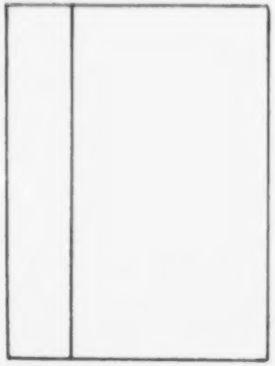
Proportion



The area is divided into two equal parts by a horizontal line. The line may be a drawn border or white space.



The area is divided into two equal vertical parts. Often the illustration is on one half and the other elements are on the other half.

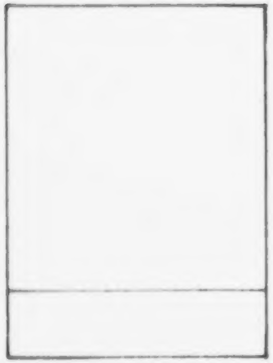


The ad is divided by about 1/5 and 4/5. This is used when related items can go with a major item featured.

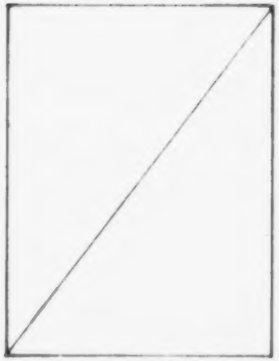
TRANSPARENCY MASTER 13 SBM
IX-71

TRANSPARENCY MASTER 14 SBM
IX-73

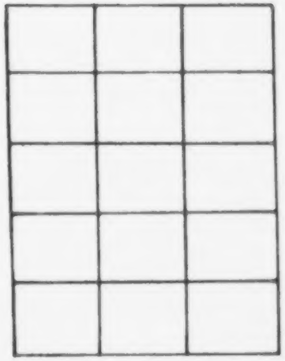
Proportion (Continued)



A horizontal line at either top or bottom makes a division of about 1/4 and 3/4. A bottom division is usually preferred.



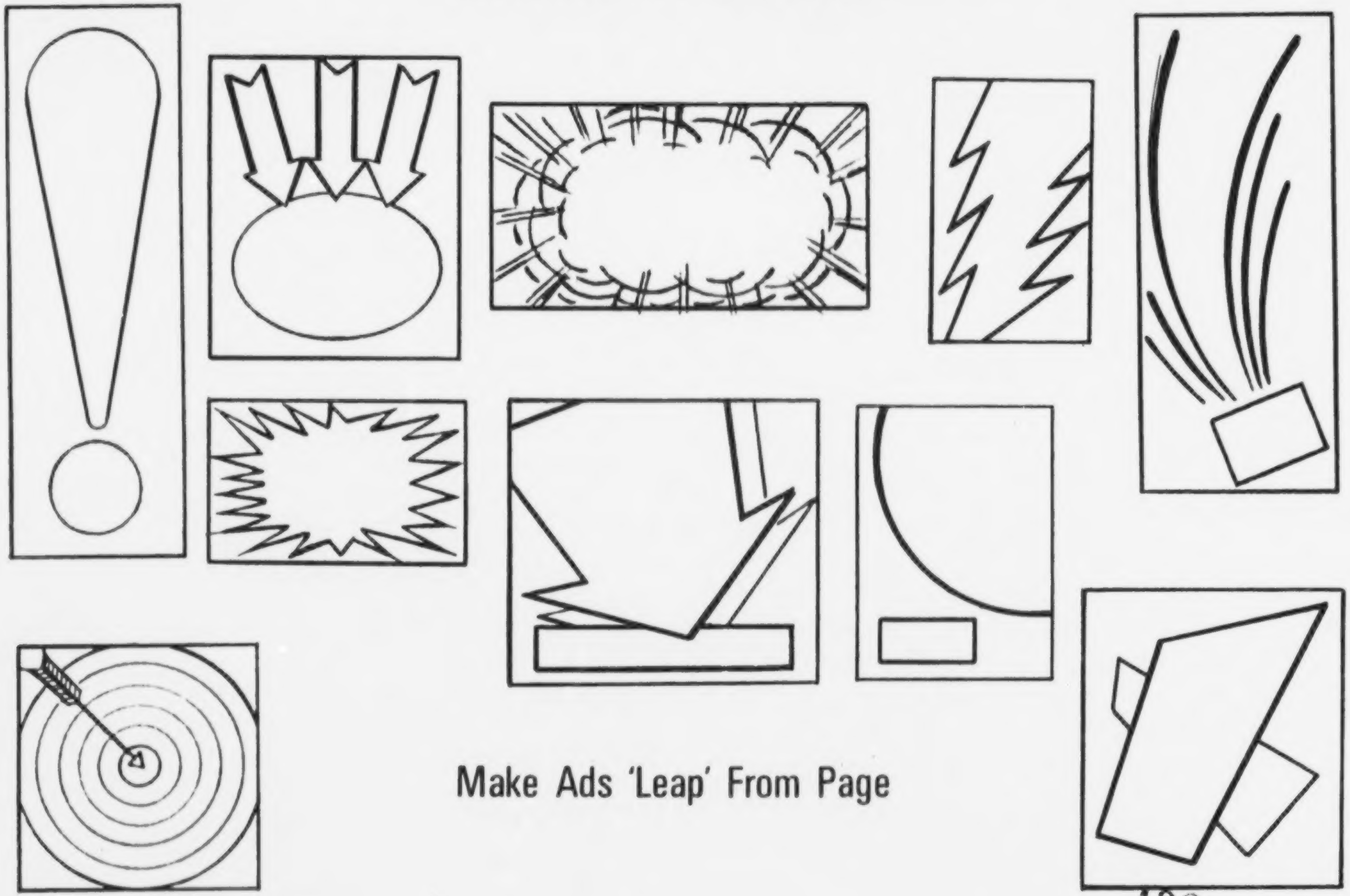
A diagonal line divides the space into halves. This is used when illustrations are tall.



Several vertical and horizontal lines are drawn to make 6, 8, 12, or more areas. This is used in omnibus advertisements which include many items that may not be related.

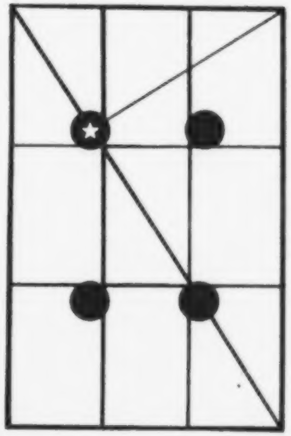
TRANSPARENCY MASTER 15 - SBM
IX - 75

Attention-Getters

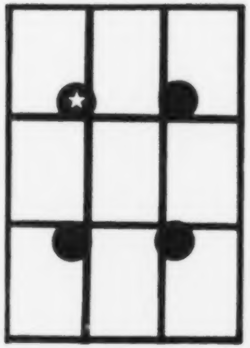


Make Ads 'Leap' From Page

Focal Points



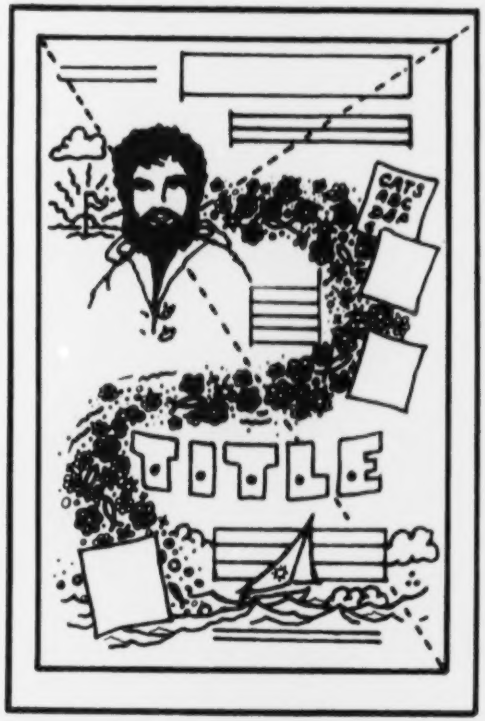
Point ✪: Marks the Prime Focal Interest.
Others are Secondary in Visual Appeal.



Divide Sides Into Thirds
....For Quick Approximate Position

TRANSPARENCY MASTER 16 - SBM
IX - 77

Focal Point Used in Layout



Here We Use the Primary Focal Point to Begin the Development of a Reverse S Curve - Thus Leading the Eye Naturally Through the Advertising Copy

ACTIVITY SHEET 1

ADVERTISING FOR SMALL BUSINESS

IX

NAME ______________________________

OBJECTIVE 22 **List the shopping events your business might utilize in the next year.**

INTRODUCTION Shopping events generally focus around a seasonal or holiday theme. The small business owner can capitalize on the event by offering peak sales and promoting the shopping event through effective advertising.

DIRECTIONS Using the monthly calendar grid below, determine at least one shopping event per month for your business.

JANUARY	**FEBRUARY**	**MARCH**
APRIL	**MAY**	**JUNE**
JULY	**AUGUST**	**SEPTEMBER**
OCTOBER	**NOVEMBER**	**DECEMBER**

ACTIVITY SHEET 2

ADVERTISING FOR SMALL BUSINESS

IX

NAME ______________________________

OBJECTIVE 23 **Check ads for their effectiveness.**

INTRODUCTION A retailer must create effective ads in order to meet sales objectives and stay within promotion budgets. Your newspaper, radio and television sales reps can help you. You can help them, and your business' image, by knowing what you want.

DIRECTIONS Select six ads from a local newspaper advertisement for a business similar to yours (or use your own last six ads) and rate advertising effectiveness using the list below. Read Supplement 5 for guidelines in "What to avoid." Put a check mark in the blank before an item if the ad fulfills that statement.

Check List for Item Selection for Ad

_____ Demand for product
_____ Stocked adequately
_____ Timely promotion
_____ Average or better product
_____ Value good for customer
_____ Prices match products

Check List for Layout and Copy for Ad

_____ Claims not excessive
_____ Copy specific to product
_____ Common language
_____ Lists facts
_____ Gives store's hours
_____ Gives store's address and telephone
_____ Prompts immediate response
_____ Shows items that relate
_____ Good use of branded merchandise
_____ Very apparent price and range
_____ Copy is complete
_____ Headline carries most important benefit
_____ Ad has dominant headline or art
_____ Layout is simple
_____ Style recognized readily

ACTIVITY SHEET 3

ADVERTISING FOR SMALL BUSINESS

IX

NAME ____________________

OBJECTIVE 24 **Develop a monthly sales plan for your business.**

INTRODUCTION Using the information from your own business, you can create a meaningful monthly sales plan which will give guidance for setting sales goals, deciding on a monthly budget, selecting items to promote, and scheduling day-to-day advertising.

DIRECTIONS Enter last year's sales figures for type of service or product manufactured or sold. Then, in view of this performance, rough in sales goals for the month.

Use the following profit pointers as a reminder of the factors to be considered in making your sales goals realistic, but challenging.

— Last year's sales

— Population, income employment changes

— New and altered departments

— Current prices and inventory

— The competition's activities

MONTHLY SALES PLAN

Department or merchandise group	Month's sales last year	%	Month's sales goal this year	%
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
	$		$	
TOTALS	$	(100%)	$	(100%)

ACTIVITY SHEET 4

ADVERTISING FOR SMALL BUSINESS

NAME ____________________

OBJECTIVE 25 **Prepare an advertisement using the major parts of an ad and creative techniques of copy and layout.**

INTRODUCTION Designing an advertisement through effective use of copy and layout is an essential part of the advertising process. Many business owners rely strictly on advertising salespeople to prepare their advertisements.

Ad salespeople may not have the time, education, or care required to design an effective advertisement. It is important that small business owners develop their talents for creating ads that achieve their advertising goals.

DIRECTIONS Using plain paper, pencil, and ruler, design an advertisement for your business utilizing the principles of good copy and layout.

ACTIVITY ANSWERS

ADVERTISING FOR SMALL BUSINESS

IX

ACTIVITY SHEET 1	Check that participants have listed one shopping event for each month. Check that appropriate holidays and seasons are noted and that a variety of promotional opportunities are included.
ACTIVITY SHEET 2	Check that participants have six ads and have rated them appropriately. Be sure the client has identified the true strengths of each ad and noted similarities in effective ads.
ACTIVITY SHEET 3	Be sure the chart is completely and correctly filled in. Check assumptions and forecasts. Be sure the client understands the relationship between sales forecasting and advertising.
ACTIVITY SHEET 4	Check the ad for appropriate use of headlines, white space, artwork, balance, focal point, etc. Be sure it sends an appropriate message.

OBJECTIVE SHEET

SELLING

X

INTRODUCTION

There are many management subjects necessary for the small business owner to understand in order to control his/her business. Each area fits into a total management system which allows you to control your business rather than your business controlling you. The system allows you to **ACT** in managing your business rather than just **REACT** to day-to-day business problems.

Ultimately, the goal of all business is to create sales. A business can have the best accounting system, the best legal counsel, the best facilities, the best trained people **BUT**...without sales, *the business will fail.*

UNIT OBJECTIVE

After completing this unit, the client should be familiar with the characteristics of professional salesmanship, activities of a salesperson, and strategies of selling and sales management that generate sales. The client will demonstrate this competency by completing an activity sheet.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Compare advertising and marketing.
2. List basic selling concepts.
3. Select from a list true statements about professionalism in sales.
4. Distinguish between win-lose and win-win strategies.
5. Describe ways to motivate people to buy.
6. Complete statements about effective sales communication skills.
7. Critique sales presentations. (Activity Sheet 1)

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide which objectives would cost serve the needs of your clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a professional sales person or sales manager to speak to the class.

NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover.

DELIVERY

Objective 1 Compare advertising and marketing.

- Use Transparency Master 1 (The best..) to introduce the unit and stress the importance of the selling process.
- Use Handout 1 and Handout 2 to introduce Selling. Handout 1 referred to as the Prince of the Profound Statement is used to introduce the Art of Selling. Handout 2 may be used to emphasize that becoming a successful salesperson is an uphill journey.
- Use Transparency Master 2 (Marketing—Plan your work...) to illustrate the relationship between marketing and selling.

Objective 2 List basic selling concepts.

- Have clients write an attitude description for a sales person.

- Use Supplements 1 and 2 to discuss sales power and the six-step system of selling.
- Use a flip chart or blackboard to discuss the difference between pushy or passive salespersons.
- Ask clients how many like a pushy salesperson and then how many like a passive salesperson.
- Have clients brainstorm similarities and differences in selling the following: eyeglasses, drinking glasses, storm windows, and window cleaning services.

Objective 3 Select from a list true statements about professionalism in sales.

- Use "In Thios" Transparency Master 3 to discuss enthusiasm.
- Use Supplement 3 to discuss a direct approach to sales prospecting.
- Have clients discuss salespeople in movies and television. Have them determine which characters are most professional and why. Have them determine which are most successful. Possible characters include: Ed McMahon, Robert Young, Folgers Coffee, sales process on Home Shopping Network.
- Determine the mind set of a cross section of the participants. Using a flip chart or blackboard write the word PUSHY at the top. Then write the word PASSIVE at the bottom, with about 24 inches of space in between. Ask members of the audience to identify on the chart what they like salespeople waiting on them to be (close to "pushy" or close to "passive" or in between). Then line through the word PUSHY and replace it with the word PURPOSEFUL. Now repeat the process. Illustrate that the only real difference between the two is professionalism. There is no greater inducement for a customer to act than the inducement of being helped by a salesperson who conveys that he or she truly wants to help satisfy the needs of the customer.

Objective 4 Distinguish between win-lose and win-win strategies.

- Have clients think of win-win and win-lose situations in non-business settings. Have them compare their reactions to win-win and win-lose solutions.

- Have clients discuss salespeople they have come in contact with during the past few days and determine which were using a win-win approach and which weren't. Also have clients list their reaction to each salesperson and see if there is a correlation between win-win and effective sales.

Objective 5 Describe ways to motivate people to buy.

- Use Transparency Master 4, (My selling purpose...) 5, (Don't sell me things), and Supplement 4 to discuss ways to motivate people to buy.

- Have clients take a piece of paper, draw a line down the center and write FEATURES on one side and BENEFITS on the other. Hold up a brand name diet drink can, ask for statements related to FEATURE, BENEFIT. Create a discussion as to which is which and why (Transparency Master 6). Have a more vocal participant do a quick presentation by reading the FEATURES only. Next, have a participant do the same by just reading BENEFITS. Discuss the difference. Then do a presentation by combining "features" and "benefits" into a complete sales story.

- Have clients list the features and benefits of a product or service they sell. An additional exercise, have a participant repeat the same process as the previous objective.

- Use TM 4 to discuss selling purpose.

Objective 6 Complete statements about effective sales communication skills.

- Have clients list other communication skills they use.

- Use TM's 7-9 to reinforce listening skills.

- Have clients role play using a variety of communication skills and body language.

APPLICATION

Objective 7 Critique sales presentations.

- Have clients complete Activity Sheet 1 individually, then compare impressions within the group.

- Have each group discuss the strengths and weaknesses of various presentations and compile a list of do's and don'ts.

- As a class, brainstorm what was learned from the exercise.

SUGGESTED RESOURCES

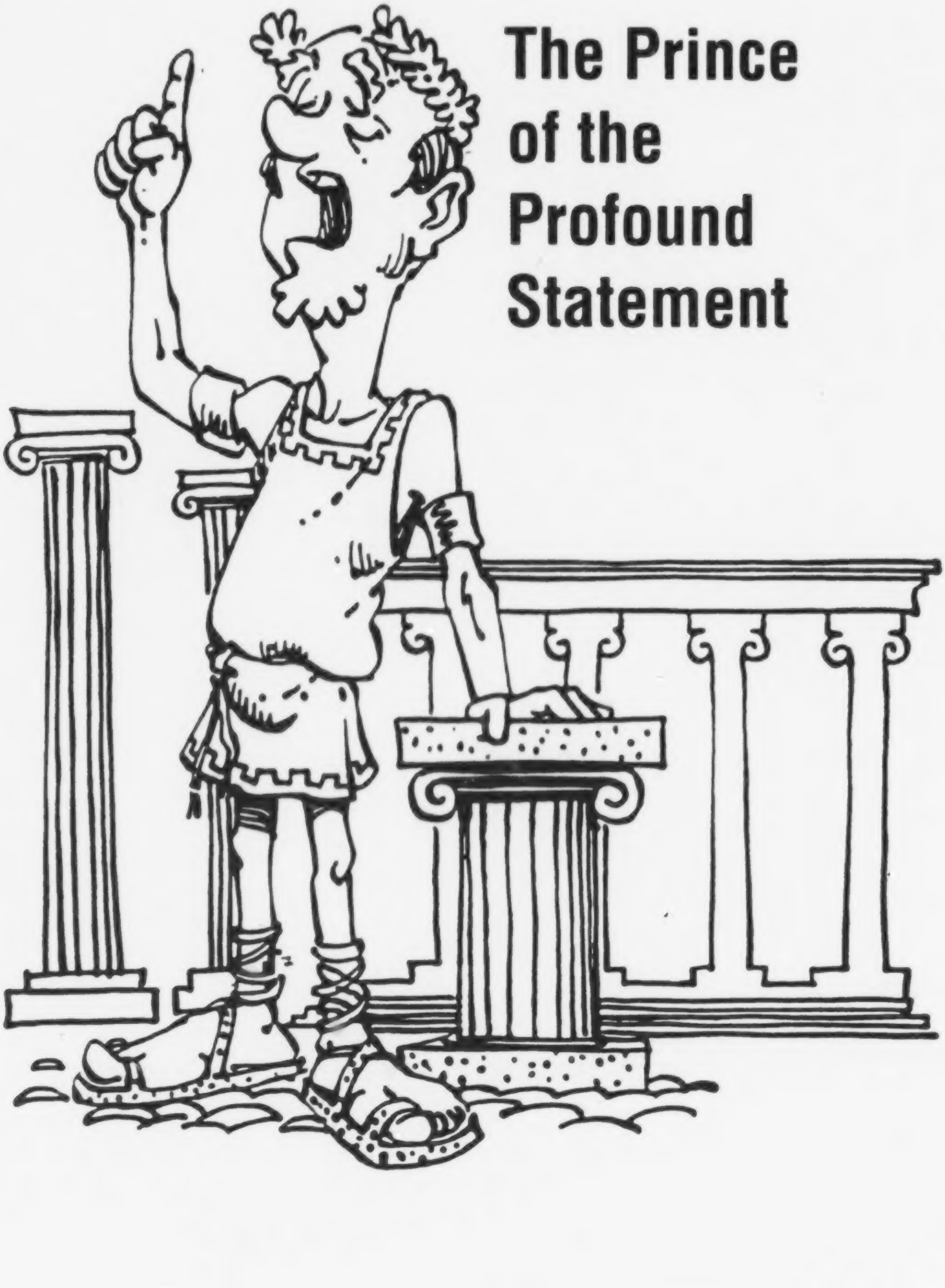
Media

- *Why People Buy*. McGraw Hill, phone 800-548-0660. 20 minutes.
- *Listening for the Sale*. McGraw Hill, phone 800-548-0660. 20 minutes.

UNIT REFERENCES

- Johnson, Spencer, M.D. and Larry Wilson, *One Minute Sales Person*. New York: William Morrow and Co., Inc., 1984.
- Willingham, Ron, *The Best Seller! The New Book of Selling and Persuading People*. Englewood Cliffs, New Jersey: Prentice-Hall, 1984.
- Kiam, Victor, *Live to Win: Achieving Success in Life and Business*, Harper and Row, Publishers, New York, 1989.
- Waitley, Denis, *Seeds of Greatness*, Fleming H. Revell Company, Old Tappan, New Jersey, 1983.

The Prince of the Profound Statement



The Road to Success is All Uphill

THE BEST

Legal Counsel

Physical Facilities

Accounting Staff

Talented Craftsmen

Well Defined Jobs

BUT WITHOUT SALES

MARKETING

— Plan Your Work

SALES

— Work Your Plan

IN THIOS "GOD WITHIN"

LAST 4 LETTERS

I	I
A	AM
S	SOLD
M	MYSELF

MY SALES GOAL

Is helping people feel

good about what they bought

and about themselves

as

buyers.

DON'T SELL ME

THINGS.

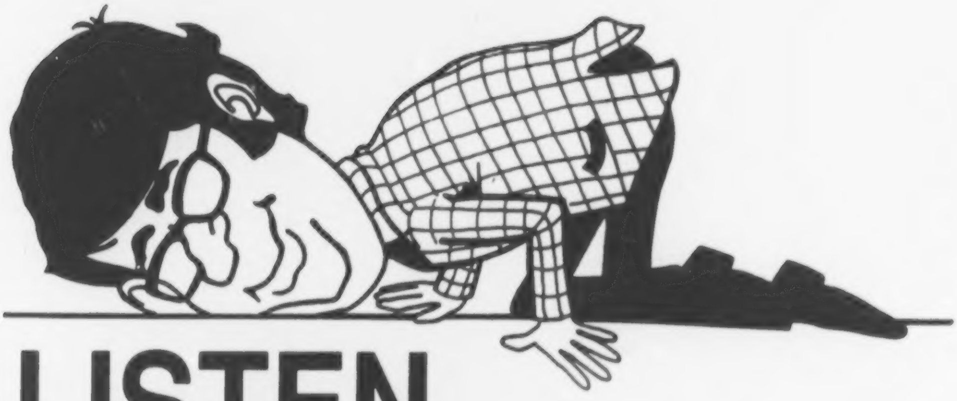
SELL ME THE

BENEFIT OF

OWNERSHIP.

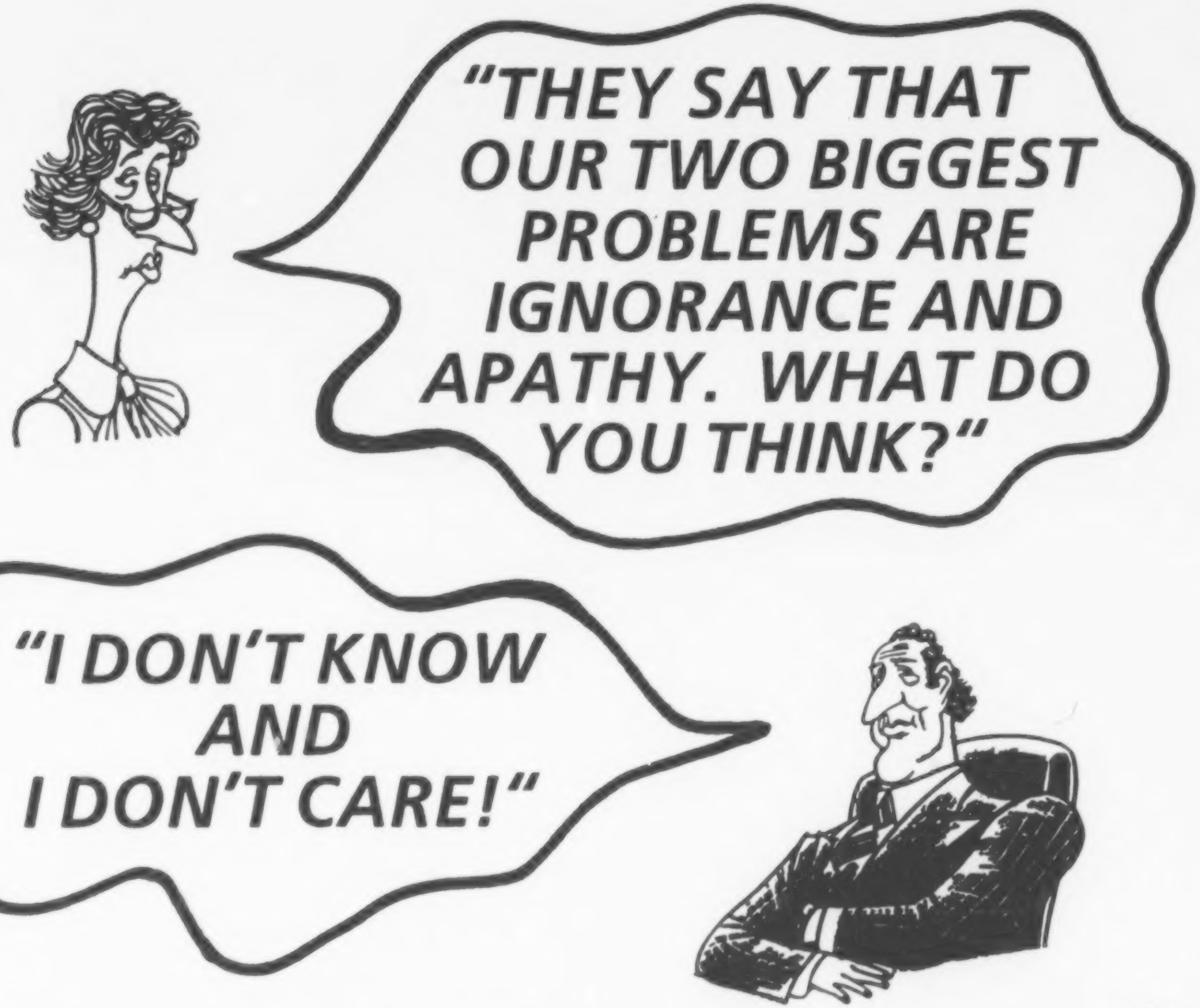
PEOPLE DON'T BUY
OUR SERVICES, PRODUCTS,
OR IDEAS.

THEY BUY HOW THEY IMAGINE
USING THEM WILL MAKE
THEM *FEEL.*

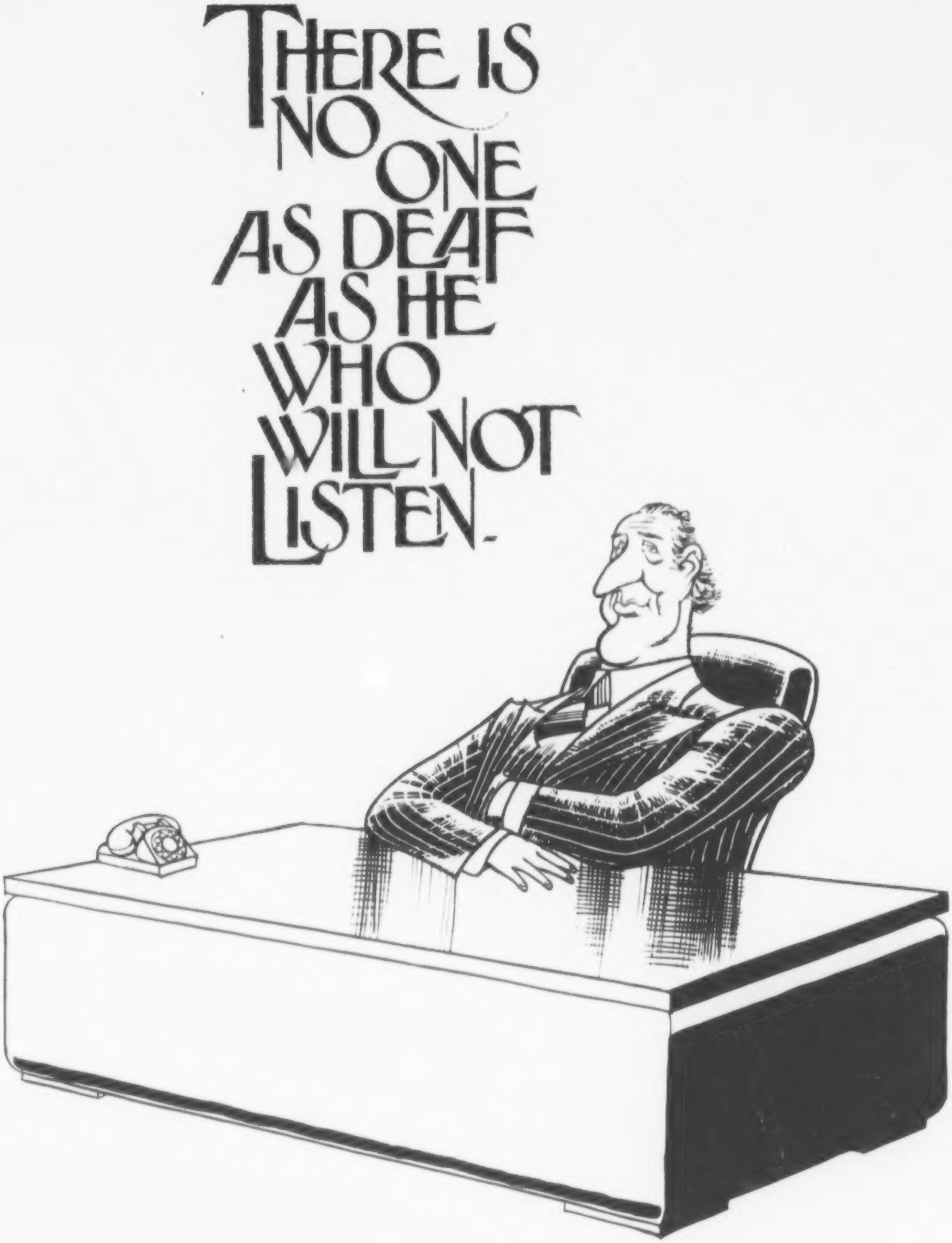


LISTEN ATTENTIVELY

TRANSPARENCY MASTER 8 – SBM
X - 25


"THEY SAY THAT OUR TWO BIGGEST PROBLEMS ARE IGNORANCE AND APATHY. WHAT DO YOU THINK?"
"I DON'T KNOW AND I DON'T CARE!"

TM 8


THERE IS
NO ONE
AS DEAF
AS HE
WHO
WILL NOT
LISTEN.

SELLING

OBJECTIVE 1

Compare advertising and marketing. (Transparencies 1-3)

- **Advertising** — The use of the media to communicate that a business exists and what it has to offer

  Advertising for small business usually does not, in itself, create sales. Rather, it gives you the opportunity to come face to face with a potential customer in order to generate sales.

  Advertising can and should create traffic to you, but, if you are not ready and your people are not properly trained in the field of selling, then potential customers will be lost.

NOTHING DESTROYS A POORLY RUN BUSINESS QUICKER THAN GOOD ADVERTISING

- **Marketing** — The overall promotional plan for a business or product

  Marketing is the tactic and sales is the implementation of that tactic.

OBJECTIVE 2

List basic selling concepts.

- Salespeople are not simply order-takers. They do not hang around, waiting for the world to beat a path to the door with checkbook in hand.
- Selling is a learned skill. People cannot be sprinkled with magic potion so that they will have sales savvy. And there is no such thing as a born salesman, any more than there is a born doctor, lawyer, or nuclear physicist. Learning to sell is just that: a learned skill.
- Selling is the positive transference of an idea and feelings.

- Selling requires good communication skills. We often think that people who talk a lot or who are natural in a social setting are more likely to succeed in selling than those who are quiet and keep to themselves. Actually, quiet people usually are more trainable in sales.

> The key to selling is not being a good talker, but being a good listener.

- The salesperson must offer the solution to the client's problem.

The salesperson must identify and fully understand the problem. To be effective you must be able to ask a few key questions to fully understand the customer's problem. As a consumer, you know how you feel when a salesperson will not listen to you because that salesperson thinks he or she knows your needs without probing to be sure.

The salesperson offers a solution and establishes himself or herself as a sustaining resource now and in the future.

> In the Bible, Samson slew 10,000 Philistines with the jaw bone of an ass. Since that time, billions of sales have been killed with the same weapon.

Compare the PUSHY salesperson and the PASSIVE salesperson

PUSHY ___|___|___|___|___|___|___|___ PASSIVE

Between PUSHY and PASSIVE, where do you want to be? Where should you be? Where does the Professional Salesperson fit on this chart?

The Professional Salesperson:

- **Knows how to convey a helping attitude.**
- **Knows how to make a friend and within that friendship attempts to help be the solution and solve the problem.**

There is no greater pressure to make a positive decision than the ability to convey genuine concern for helping your customrs solve their problems.

- **Can create urgency to encourage buying now.** Some sales people are afraid to create a sense of urgency. So why is "now" important? If customers need a solution now, then it is important to them because people like to have decisions behind them. It is important to your business because you can't take future sales to the bank today.

- **Will guide the customer to the right decision.** That helps clients feel good about you and about themselves.

- **Turns disadvantages to advantages.** If we, as salespeople, are convinced that we have the right product or service at the right price, then why are we reluctant to convey that to our clients? Well, maybe we can look back to when we were children. Maybe some of you have even said these things to your own children.

  — Don't ask for everything you want.

  — Children should be seen and not heard.

  — Don't go where you are not wanted.

  — Better to be safe than sorry.

  — Don't speak until you are spoken to.

  — Look before you leap.

  — What will the neighbors think?

  — Don't bite off more than you can chew.

  We've heard those kinds of statements all through our youth and now, as sales people or managers of sales people, we know that sales are a must and the more the better.

In sales, we can't stay in business unless we ask for what we want. That is why professional sales training is so important. We often have to go where we are not wanted, at first. We must be both seen and heard. As business people, we always take risks, so forget about being safe. We must speak before being spoken to, and sometimes leap into the unknown. We have to ignore what the average person thinks because we are not striving to be average, and we always have to be biting off more than we can chew. How else are we going to learn how much we can chew in the first place?

You can see where there is a conflict of basic learned values when you start your own business and how we all have some build-in restriction on our own success. Part of effective sales training is to learn how to turn those disadvantages into advantages.

OBJECTIVE 3

Select from a list true statements about professionalism in sales. (Transparency 4)

Passive	**Professional**	**Pushy**
"Order-taker"	Dresses the part	Corners customer into buying
Not persistent	Organized	
Doesn't carry through	Knowledgeable	Doesn't ask questions
Doesn't turn disadvantages to advantages	Positive	Offers a win/lose solution
	Offers the customer a solution	
	Carries through	

The Professional Salesperson also:

- **Keeps customers comfortable and encourages trust in the salesperson and the product.**

- **Works at a positive self-image.** Sales depend more on what you do before you leave home than what you do at the office.
  - Keep a positive mental attitude.
  - Tell yourself you're going to have a great day and make lots of sales.
- **Is organized and prepared.**
  - Day is scheduled
  - Car and office is clean and organized
  - Price lists, catalogs, order forms, pens, etc., are all in place and neatly organized.
- **Dresses to the plan.**
- **Is persistent.** Persistence is another word for belief. The customer may test you to determine if you really believe what you are saying. Many times the customer has said "yes" in his or her own mind 02 minutes before he says yes to you.
- **Asks subordinate questions.** If answering "yes" means the customer has bought it, answering "no" does not mean they have not bought it. Subordinate questions should not have a "yes" or "no" answer. They should basically ask, "Do you have yourself convinced, or should I tell you more?" Either way, you win. The only way you can really know what a prospect is thinking is to ask minor issue questions. In order words, questions are the answer.

  EXAMPLE: Would Wednesday be better for delivery or would Friday be better?

  Would you prefer to be billed on the 15th or would the 1st be better?
- **Has an assumptive attitude.** How can you tell when a customer says, "yes?" The customer rarely says, "That's exactly what I've been looking for. You write the order and I'll get my checkbook." She will let you know with a single comment or a questions or a flip of the wrist — a hundred different ways. It takes a little experience, but even new salespeople can learn very quickly. You assume that

customers are going to be delighted to see you. You assume that they are going to be interested in your products or services. You assume that they have the purchasing power and you assume that they are going to make a favorable decision. This is the assumptive attitude.

- **Is enthusiastic.** Most people think that it means just being loud, but it is much more. The prospect can sense when enthusiasm is real or fake.
- **Is sincere.** Sincerity is the greatest key of them all. Sincerity comes across as nothing else will. Selling is simply a transference of feeling. If you can make the customer feel about your product the way you feel about your product, then the customer will buy your product.

OBJECTIVE 4 **Distinguish between win-lose and win-win strategies.**

- Win-lose attitude means one person conquers or overcomes the other. Sales trainers years ago talked about how a salesperson was supposed to corner the prospect by answering objections. This, in theory, would leave the prospect with nowhere to go except to buy. They were teaching that in a sales situation someone wins and someone loses.
- Win-win attitude means solving the customer's needs as the customer sees those needs. If you have done your marketing properly, then you have the right product or service for your client at a fair price. If that is true, then the prospect's only true way to win is to take advantage of the opportunity which you present. Under this set of circumstances, the win/lose concept does not apply. You have created the win/win scenario by presenting a mutually beneficial solution where everybody wins.

OBJECTIVE 5 **Describe ways to motivate people to buy.** (Transparencies 5-9)

How many of us like to purchase from a knowledgeable, dedicated, helping salesperson? Have you ever walked into a place of business and just know that you were in the right place? Have you ever found yourself wanting to buy something because you liked the salesperson's attitude? You can create that positive atmosphere in your business. Here's how:

- **Think of yourself as an assistant buyer rather than a seller.** An assistant buyer helps make the right decision. When we feel that someone is trying to sell us something, our defenses go up. We may let them sell us, but we tread very carefully. On the other hand, if we feel that someone is trying to help us solve our problem, we let them. So, think of yourself as an assistant buyer, not a seller. Think in terms of being a solution provider.

- **Remember that you are first and foremost in the people business.** No matter what product or service you have to offer, regardless of whether you are selling a tangible or intangible, the basic principles are the same. You must remember that you are first and foremost in the people business. You must also remember that in most cases, people can purchase your type of product or service at dozens of places. So why should they do business with you? What sets you apart? What is your unique selling proposition?

- **Keep your sales staff well informed about the products.** Use professional associations, training seminars, sales literature, and your suppliers to keep your staff up to date. In your marketing plan you should have defined your market and its needs. You should have created a product or service mix to meet those needs. You can also acquire product knowledge from your vendors or suppliers. You can study their sales literature. In many cases, your suppliers conduct training seminars for you and some will even train your employees for you. In service industries there are numerous professional associations and learning opportunities.

- **Present the benefit of the product, rather than the product itself, as what is being purchased.** Product knowledge or knowledge of your service should always be communicated in terms of benefits to customers, not just facts. Extensive facts usually bore people. They want to know how they will benefit. People buy on the basis of feelings combined with information.

Product	*Benefit*
Film/Camera	Preserved memories
Drill	Holes
Mower	Well-manicured lawn
Flowers	Pleasure for a loved one

The product's features will appeal to the customer's sense of logic and provide a reason to buy. If you give people a **reason** to buy, they might buy. If you give people an **excuse** for buying, they might buy. But, if you tie the reason and the excuse together, you have a much better chance of making the sale. If you tie the two together, people will make a positive decision and be happy with that decision the next day. You communicate emotion by telling stories about people who made the same decision and were happy.

> Logic makes people think, but emotion makes them act.

- **Recognize the difference between refusal and rejection.** All outstanding sales people are a little bit warped. They believe so strongly in what they are selling that they simply cannot understand how anyone could say "no". When a prospect refuses, the average sales people think that they have been rejected, when actually they just met with refusal or a temporary "no." When people say "no," what they are really saying is, "Based on the information which you have given me so far, the answer is 'no', but if you give me more information, then I reserve the right to change my mind." The customer never really says "no." All they are really saying is, "Tell me more; give me more information."

- **Make the value greater than the price.** Any time you are selling something, the customer will first feel that the price is higher than the value of the product. Usually, you can't do anything about the price; but, you can do a great deal about the value of the product. So build the value higher than the price. Even building higher value does not mean that you have made a sale because people hate to make a decision.

- **Build "now" demand.** You must create a sense of urgency and understand and communicate that what you have is what the customer really needs now. Urgency can be created through upcoming price increases, current sales, soon-to-be discontinued items, and sales contests.

- **Lead the customer to a mutually beneficial decision.**

- **The three most important sales:**

  1. The most important sale of your life is to sell yourself on yourself.
  2. Next, sell yourself on being proud of what your company offers to its customers.
  3. Third, sell your employees on the idea that they are part of something special.

  If the first three sales are made, your customer will just naturally want to be part of what you are doing.

OBJECTIVE 6 **Complete statements about effective sales communication skills.**

Verbal Communication

- As professional communicators, we want to be very selective about the little words we use. Often sales people will turn off a customer by using words which take away from the professional presentation.

Use:	*Rather than:*	*Example:*
Own	Buy, sell, sold	A man who owns one of these says its the best mower he's ever had.
OK the order	Sign	I just need for you to okay the agreement.
Agreement, order form	Contract	
Investment	Pay, payment, price	Investment implies that you get something in return

When marketing studies showed that the Chevy Nova was popular among Hispanics in America, Chevrolet executives decided to market it to Mexico. Extensive advertising and sales promotions were conducted throughout Mexico and predictions were that the inexpensive American car would be a hit. Yet, sales were slow. No explanation for the low sales could be found until someone translated "Nova" into Spanish. The English word for a bright, powerful, emerging star translated to roughly "won't go".

- Avoid trade jargon. Let the customer understand you.
- Listen to your customer's conditions and objections. A condition is a reason for not buying that actually exists: no money, no credit, illness, age, vocation. Always explore to be sure it really exists. If they want the product and no condition exists and they still don't buy, then you missed the opportunity. You still have more to learn.

  An objection is a reason for not buying that arises out of a prospect's lack of understanding and is usually based on insufficient information.

  Smart sales people look for objections. Objections help you understand the prospect's thinking. People who are serious prospects have objections because they want to understand.
- Do not interrupt the customer.
- Make eye contact with the customer. Let the customer know you are listening by nodding or agreeing as they speak.
- Paraphrase what the customer has said. "As I understand, you're look for..."
- Ask questions to clarify the customer's needs or objections.
- Offer the product as a solution.

Body language

- Maintain eye contact with the customer at all times. If you are selling to more than one person at the same time, move you gaze from person to person. Do not maintain eye contact with your associates.
- Sit down when possible. We debate standing up, we sell sitting down.
- Remove distractions. Go to a private room, turn off radios, stereos, etc., close the door.
- Listen attentively.
- They say that our two biggest problems are ignorance and apathy.
- There is no one so deaf as he who will not hear.
- Try to position yourself where nobody is behind you.
- Try to position prospects between you and your associates.
- When making at-home sales, make them in the more casual family room rather than in the living room.

In Ron Willingham's book, *The Best Seller! The New Psychology of Selling and Persuading People*, he devotes a great deal of space to a formula for sales power and to his six-step system of selling. You are encouraged to purchase and read his book.

His formula for sales power shows what sets the highly successful salesperson apart from the average sales person.

PRODUCT KNOWLEDGE

Usually, most sales training is devoted to product knowledge: The technical information that you must know in order to present what you are selling and to answer questions that you will be asked. As sales managers, we tend to think that having product or service knowledge will insure that sales people can sell it. Few things could be further from the truth. Technical knowledge is important, but it doesn't guarantee success in selling.

SALES KNOW-HOW

Sales know-how evolves from experience. It comes only from experience. It is a sixth sense that a salesperson develops from trial and error. There are salespeople who have had at least one year of experience 20 times in a row, and there are salespeople who have gained a tremendous amount of experience in just a few months. Sales experience doesn't guarantee sales know-how, but learning from experience does.

PERSUASIVE ABILITY

The skill or finesse with which you are able to develop people's trust in you is persuasive ability. It is necessary before you can have a successful, convincing sales communication. Many think that selling is talking, telling, convincing. It isn't that at all. Then what is it?

Persuasion is done best through interaction, by asking questions, soliciting opinions, actively listening and giving feedback, and by putting yourself in the prospect's shoes.

Persuasion operates on a much more in-depth emotional level, through empathy, by giving psychological value and by listening to how another person feels.

ACHIEVEMENT DRIVE

In this fourth part of the sales-power formula lies the secret of success and achievement in selling. In it we see the one common ingredient that all successful salespeople have.

The achievement drive is the multiplier of all your other skills and abilities. For example, if we measured each part of the formula on a scale of 1 to 10 and scores were: Product knowledge—7, Sales know-how—8, and Persuasive ability—7. If the achievement drive, or desire to sell, is 3, the total score is 66 (7+8+7=22, 22x3=66). But, if the achievement drive is 9, the total score would be 198 (7+8+7=22, 22x9=198), or three times what it was before.

We increase our sales power by increasing our will to sell. Everyone has achievement drive, but not everyone has learned how to release it. Achievement drive is already in us waiting to be released. It is not something that we pour in. It is something that we let out.

Again, achievement drive is released from within; it is not injected from without. You increase your achievement drive by releasing what is already there.

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HOW TO INCREASE YOUR ACHIEVEMENT DRIVE

1. By setting realistic, believable goals.
2. By dwelling on the rewards of reaching those goals.
3. By associating with high achievers.
4. By developing and nurturing success-support systems.
5. By building strong belief in what you're selling.
6. By viewing yourself as a value generator.

A FORMULA FOR SALES POWER

HERE'S THE FORMULA:

PRODUCT KNOWLEDGE, *PLUS*

SALE KNOW-HOW, *PLUS*

PERSUASIVE ABILITY, *TIMES*

ACHIEVEMENT DRIVE, *EQUAL*

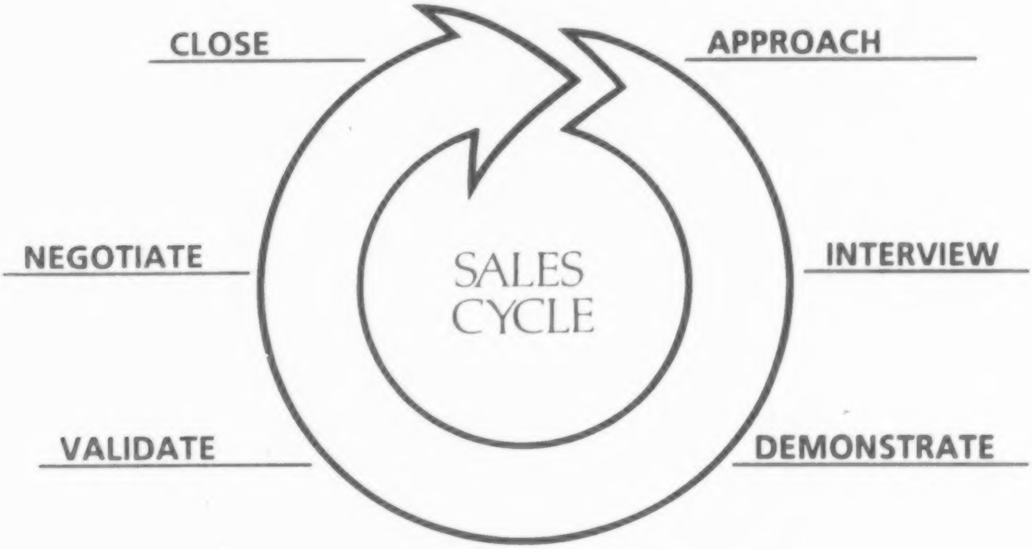
SALES POWER!

47.1

YOUR PRESENT LEVEL OF ACHIEVEMENT DRIVE HAS MUCH TO DO WITH YOUR SELF-ESTEEM, WITH YOUR BACKGROUND, AND WITH THE LEVEL OF PAST SUCCESS YOU'VE EXPERIENCED. IT'S LARGELY CONTROLLED BY YOUR OWN PERSONAL BELIEF SYSTEM.

THE SIX-STEP SYSTEM OF SELLING

The truth is that unless someone wants to listen to you and wants to trust you, they won't. The following illustrates the sales cycle.


CLOSE
APPROACH
NEGOTIATE
SALES CYCLE
INTERVIEW
VALIDATE
DEMONSTRATE

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1. **APPROACH: PROCESS TO GAIN RAPPORT**

- TUNE THE WORLD OUT AND YOUR PROSPECTS IN: Give full attention to your prospect. Give full eye contact. Focus on your prospect...in their environment, if possible.

- PUT THEM AT EASE AND MAKE THEM FEEL IMPORTANT: Appear at ease yourself. Establish rapport before starting presentation. Watch how close you sit. Lean back, show open gestures, not closer than arm's length. If they are right-handed, sit slightly right of center. Treat them as though they're important—they are.

- GET THEM TALKING ABOUT THEMSELVES. Ask non-threatening questions about their environment, sports, family, etc. People love to talk about their own interests.

- HOLD EYE CONTACT AND LISTEN TO HOW THEY FEEL: Just one eye — tells them that you care how they feel. Give feedback: words like, "I see;" "Yes, I agree;" "I understand;" "I see what you mean."

2. **INTERVIEW**

WHEN THE INTERVIEW IS EFFECTIVE, YOUR PROSPECTS BEGIN TO SELL THEMSELVES.

Objective

- Gets your prospect talking and you listening.

- Prospects verbalize wants and needs — tell you what it takes to sell them.

- Helps prospect to clarify what they really want....they commit themselves to you.

Process

- Ask open-ended, indirect questions that draw out the client's wants or needs: Use development questions — who, what, where, why, when and how. Ask in terms of *RESULTS WANTED*. Ask for symptoms. Ask indirect questions to determine needs.

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- Listen to and paraphrase *all* points—write them down: Ask permission to take notes. Conveys concern on your part. "As I see it, sir;" OR "Do I understand correctly when you say...?"

- Identify *dominant* wants or needs — get their agreement: "If I understand you correctly, then....is that so?" Determine dominant buying motives.

- Assure them that you want to help them select the right product: Convey genuine interest in their needs. When you honestly want to serve your clients' needs, you'll naturally assure them of that — both physically and verbally.

3. DEMONSTRATE

Don't begin until you have established needs and wants, because the purpose of a demonstration is to show *how* your product or service will answer their needs and wants.

Demonstration process: or, "How to put more sell into your show and tell."

- Repeat their dominant wants or needs: As I understand it, sir, you want....

- Demonstrate the product or service that will answer them:

  —If possible, get prospect involved;

  —Appeal to both logic and emotion;

  —Position yourself correctly;

  —Choose the best location for demo.

- Avoid talking about *price* — make it secondary to finding out what best fills their needs: not important until wants are established. Side-step price questions..."Best until last."

- Ask for their reactions, feelings, or opinions: Constantly draw out your prospects, "What do you think?" "Which feature appeals to you the most?" "How important is this feature to you...?"

4. VALIDATE

Get their head nodding. VALIDATE yourself, your company, your product:

- Translate product features into customer benefits: People don't buy features...they buy benefits. They buy what the product or service will do for them, or: How it will make them look to others. **Six magic words**, "What this means to you is...." anytime you mention a feature.

- Justify price and emphasize value. You must believe in your price to value ratio. Try to pre-answer price objections by adding price to value. Reduce price to the lowest common denominator — so much per day.

- Offer proof-of-benefit and satisfied users, such as testimonials and third party success stories.

- Reassure and reinforce prospects to neutralize fear of buying: Avoid fear of doing the right thing or wrong thing. Tell them success stories—what it's done for others.

4. NEGOTIATE—Avoid the win-lose mentality.

- Ask "Is there anything that's keeping you from buying now?" But be more diplomatic: "How do you feel about this?" "Do you have yourself convinced or do I need to tell you more?"

- Welcome objections — let prospects know that you understand how they feel: Objections are buying signals. People without objections usually don't buy. Often, an objection is a way that the prospect tests your belief.

- Identify specific objections — get agreement that these are the only ones: "If it weren't for that, you'd go ahead today — correct?" Tie down to final objection: "As I understand it, your main concern is...."

- Discuss possible solutions — Ask prospects' opinions for best solutions: Get them thinking and sharing. Make seeking out the solution a team effort so the client feels like an "Assistant buyer." Help them to choose or select the best value. When you answer an objection, always ask a question (See the trial closing questions in Step 6.)

6. **CLOSE:** Never sidestep or make excuses. Never say, "I don't want to press you." *Closing is the fun part.*

- Ask trial-closing questions to get opinions and response: "How does that sound to you?" "Do you see why the smart businessman is doing this, too?" "Is this the general price range you were thinking of?" "What other information will we need before making a decision?"

- Give positive reinforcement:

  —Make rewarding remarks;

  —Nod to show signs of approval;

  —Compliment client on smart decision.

- Restate how benefits will outweigh costs: Can you see how owning...benefits....and will more than offset the investment?

- Ask the client to buy now — hold eye contact and silently wait for the answer:

  —Assumptive close

  Ex: We assume that we have exactly what the prospect needs, we assume that the customer is willing to make a decision at that time, and we assume we are the solution to the customer's problems or concerns.

  —Either/or close

  Ex: The major issue has been decided. The alternative choice is minor: Ask the customer if the delivery would be better on Wednesday or Friday.

  —Order blank close

  Ex: Ask the prospect specific questions to determine product decisions and write them on the order blank: Delivery date, quantity, size, etc.

SIX-STEP SYSTEM OF SELLING

APPROACH

1. TUNE THE WORLD OUT AND YOUR PROSPECTS IN.
2. PUT THEM AT EASE AND MAKE THEM FEEL IMPORTANT.
3. GET THEM TALKING ABOUT THEMSELVES.
4. HOLD EYE CONTACT AND LISTEN TO HOW THEY FEEL.

INTERVIEW

1. ASK OPEN-ENDED, INDIRECT QUESTIONS THAT DRAW OUT WANTS OR NEEDS.
2. LISTEN TO AND PARAPHRASE ALL POINTS—WRITE THEM DOWN.
3. IDENTIFY DOMINANT WANTS OR NEEDS—GET THEIR AGREEMENT.
4. ASSURE THEM THAT YOU WANT TO HELP THEM SELECT THE RIGHT PRODUCT.

DEMONSTRATE

1. REPEAT THEIR DOMINANT WANTS OR NEEDS.
2. DEMONSTRATE THE PRODUCT OR SERVICE THAT WILL ANSWER THEM.
3. AVOID TALKING ABOUT PRICE—MAKE IT SECONDARY TO FINDING OUT WHAT BEST FILLS THEIR NEEDS.
4. ASK FOR THEIR REACTIONS, FEELINGS, OR OPINIONS.

VALIDATE

1. TRANSLATE PRODUCT FEATURES INTO CUSTOMER BENEFITS.
2. JUSTIFY PRICE AND EMPHASIZE VALUE.
3. OFFER PROOF-OF-BENEFIT AND SATISFIED USERS.
4. REASSURE AND REINFORCE PROSPECTS TO NEUTRALIZE FEAR OF BUYING.

NEGOTIATE

1. ASK, "IS THERE ANYTHING THAT'S KEEPING YOU FROM BUYING NOW?"
2. WELCOME OBJECTIONS—LET PROSPECTS KNOW THAT YOU UNDERSTAND HOW THEY FEEL.
3. IDENTIFY SPECIFIC OBJECTIONS—GET AGREEMENT THAT THESE ARE THE ONLY ONES.
4. DISCUSS POSSIBLE SOLUTIONS—ASK PROSPECTS' OPINIONS FOR BEST SOLUTIONS.

CLOSE

1. ASK TRIAL-CLOSING QUESTIONS TO GET OPINIONS AND RESPONSE.
2. GIVE POSITIVE REINFORCEMENT.
3. RESTATE HOW BENEFITS WILL OUTWEIGH COSTS.
4. ASK THEM TO BUY NOW—HOLD EYE CONTACT AND SILENTLY WAIT FOR THEIR ANSWER.

A "Direct" Approach to Sales Prospecting

by Rick Barrera

In brief: How do you avoid the sales slumps that periodically hit most businesses? Through a systematic approach to sales prospecting. Now, we're not talking about cold calling efforts that take time away from your sales force's closing effort. We're talking about an innovative direct mail program that builds recognition and credibility with new prospects and allows your salespeople to call "warm" instead of "cold." Rick Barrera's article from ***Small Business Reports*** *provides a common-sense approach to using direct mail as a prospecting tool.*

I would like to share an idea with you that will eliminate your selling slumps...or, at the very least, reduce their frequency and severity. The idea is a creative twist on the use of direct mail. If your sales cycle is typical, the prospects your salespeople first call on in January will purchase in March, April, or May...about three to six months later. (If your sales cycle is longer or shorter, the example will still apply.)

Therefore, your salespeople spend the first quarter prospecting heavily. As the prospecting starts to pay off, salespeople spend more of their time closing sales and turning in stellar results. In the meantime, prospecting slacks off. But this means a sales slump three to six months ahead, and so on.

Although most industries do have some cyclical element to them, I can't recall ever working with a salesperson whose slumps weren't caused by the lack of a consistent prospecting system. My direct mail system is designed specifically to ensure consistent prospecting. The reason it works so well is that your salespeople will never have to make a cold call again.

THE PLAN

The cornerstone of my philosophy on direct mail is that I don't care if my prospects read my direct mail or not. I do, however, want them to see my mail. That is an important difference.

We live in an over-communicated society. Everyday, we are bombarded with thousands of messages. In order to keep us from going crazy with information overload, our brains filter out most of the messages and let through only those that trigger recognition or need. It's called selective perception, and we all use it. Think about the last time you began shopping for a car. As soon as you decided you were in the market for a car, you suddenly started noticing automobile ads everywhere—billboards, magazines, newspaper, radio.

How does the concept of selective perception apply to your use of direct mail? Well, most companies send one piece of direct mail and hope that:

1) It gets read.

2) It appeals to the reader's need.

3) The reader will take action to get your product or service, or will remember that he was interested by the time you get around to call.

FORGET IT! In an over-communicated society, fifteen seconds later readers are on to the next message.

Rather than appealing to the *need* filter in selective perception, I like to appeal to the *recognition* filter. That is, rather than having my prospects read the content of my direct mail to decide whether my product or service fits their current needs, I want them to recognize my name, and my company name, because of my direct mail. I don't care if they read it, I just want them to see it and recognize it. Therefore, I always send a minimum of three to four different letters.

When the prospects get the first letter, they glance at it, and throw it away. They get the second letter and say, "Hey, didn't I get something from this person before?" They get the third letter and scan it saying, "I know I've gotten something else from this person but I can't remember what I decided." They get the fourth letter and say, "You know, I've heard a lot about this company. Maybe I should give them a call."

You bet they've heard a lot about this company! And it's all been good because they've heard it all from me! So what happens when I call and ask for an appointment? I'm credible. I'm not just another company. I'm a consultant with expertise in a field in which they now have an interest. Studies have repeatedly shown that when people hear about you, your company, or your product four or more times—they perceive you as credible.

So the first rule is to send three or four different letters to each prospect, one week apart. Then call for an appointment three to five days after the last letter.

Rule two: Salespeople should send out four pieces of direct mail every day to prospects in their target market with whom they've never talked. This is the magical part of the system that ensures that you always have a fresh supply of prospects so that you can eliminate those sales slumps forever.

Let me caution you here. Salespeople, being ever optimistic,, often say, "Well if four per day is good, a hundred a day is better!" They soon find themselves so far behind on their calls that by the time they get around to following up, the prospects have forgotten about the letters. Another reason to send only four is that even during your busiest season, there is no excuse for not following up on four new prospects for that day. It only takes twenty minutes. If a salesperson has ten or twenty to call, it seems like a huge task and he'll put it off—and that's the day he begins planting the seeds for his next sales slump.

THE PACKAGE

What should you send? First of all, make it look like personal mail. What does personal mail look like? It is addressed by hand or typewriter—not with a mailing label or computer.

It is hand stamped. Using a postage meter immediately identifies it as business mail. It either has no return address, or has just the address but not the company name and logo. The return address should also be typed or handwritten, not printed. For a little twist, I prefer a simple address printed in the back flap just as an executive would have personal stationery printed.

Making it look personal ensures that it get opened, but how do you make sure it gets opened first? Make it lumpy! I believe I'm the first consultant every to promote lumpy mail, but it works. Why? The prospects get their mail and say, "What could that lump possibly be? It must be a gift...for me!" Why would they want to open bills when they could be opening presents? They always open lumpy mail first or last, and in either case you've got their undivided attention!

But how do you make your mail lumpy? Include a cassette, a video, an ad specialty, a sample of your product or a piece of candy. It doesn't really matter as long as it's related to the message you are sending.

How about layout and copy of the actual letter?

Research has shown that many people will read the P.S. of a letter first, so I always put a stand-alone message in the P.S. By stand-alone, I mean that if they just read the P.S. and not the rest of the letter, they would get a complete message about my company, my product, or me.

Remember, the primary objective is recognition. So to increase the impact of my message, I always use a headline. The headline should also be a stand-alone message, although I often will write a headline and a P.S. that work together as a one-two punch. Keep the body copy fun and focused on problem-solving. Send sample letters to key customers who match your target audience. Use their feedback to refine your message.

Always include a reply card and/or phone number so the prospect can respond. If the call is long-distance, use an 800 number to increase your responses.

That's it. My simple system for creating an ongoing stream of high quality prospects.

Direct mail systems don't work overnight, they work over time. Be patient and you will be handsomely rewarded. For some businesses it can take six months or more before you see the real benefits of this program, but when they start you will be amazed at its effectiveness.

ACTION BOX

10 Steps for Prospecting with Direct Mail:

1) Send three to four different letters to each prospect, one week apart.

2) Mail to four new prospects every single day.

3) Make it personal.

4) Make it lumpy.

5) Always include a headline and a P.S.

6) Make the body of the letter fun and unique.

7) Always include a reply card and/or a toll free number.

8) Follow up by phone three to five days after your last letter.

9) Computerize your system for ease and efficiency.

10) Work the system every day.

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DON'T SELL ME THINGS

DON'T SELL ME CLOTHES.
Sell me neat appearance—style—attractiveness.

DON'T SELL ME SHOES.
Sell me foot comfort and the pleasure of walking in the open air.

DON'T SELL ME FURNITURE.
Sell me a house that has comfort, cleanliness, contentment.

DON'T SELL ME BOOKS.
Sell me pleasant hours and the profits of knowledge.

DON'T SELL ME TOYS.
Sell me playthings to make my children happy.

DON'T SELL ME TOOLS.
Sell me the pleasure and profit of making fine things.

DON'T SELL ME TIRES.
Sell me freedom from worry and low cost per mile.

DON'T SELL ME PLOWS.
Sell me green fields of waving wheat.

DON'T SELL ME THINGS.
Sell me ideas—feelings—self-respect—home life and happiness!!

ACTIVITY SHEET 1

SELLING

X

NAME ____

OBJECTIVE 7

Make a sales presentation.

INTRODUCTION

No matter what you offer your customers, you must be able to create demand for it. The best way to learn to sell is to practice selling. In this assignment, you will create a sales plan, attempt to make a sale, and review the effectiveness of other sales.

DIRECTIONS

1. Divide into groups of 3-5 people.
2. Choose an object you have in your possession. It can be something in your purse or pocket, one of your notepads, or something you are wearing.
3. What benefits of owning the object can you use to convince others to buy it?

   ____

   ____

   ____

4. What is unique about this object?

   ____

   ____

   ____

5. One at a time, try to sell the object to members of your group.
6. As the other members of your group make their sales presentations, complete the following form.

	Person 1	Person 2	Person 3	Person 4
Body language				
Speech				
Knowledge				
Benefits vs features				
Solution offered				
Questions asked				
Making value greater than price				

ACTIVITY SHEET 1

Clients should be able to recognize the object of the sale (the item or the benefit), the phrases and body language being used to encourage or discourage the sale, and the characteristics of the salesperson that affect the sale.

OBJECTIVE SHEET

CUSTOMER RELATIONS

XI

INTRODUCTION

Customer relations are intended to bring customer satisfaction and create goodwill. Some aspects of customer relations are emphasized during selling, but customer relations goes far beyond those techniques. A business must actively provide carefully selected services and benefits for customers in order to retain their patronage.

UNIT OBJECTIVES

After completing this unit, the client should have an increased awareness of the concept of customer relations, and understand its importance and practice, and be able to decide which types of customer relations suit each type of business. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define customer relations.
2. List six reasons why customer relations is important to any business.
3. State examples of customer relations offered by many businesses.
4. List ways the salesperson can continue to build customer satisfaction after a sale.
5. Identify good telephone communication skills.
6. State techniques for handling complaints over the phone.
7. Match the customer relations listed with one of the six reasons it is of value to your business. (Activity Sheet 1)
8. Distinguish between feature and benefit statements. (Activity Sheet 2)

SUGGESTED ACTIVITIES

CUSTOMER RELATIONS

XI

PREPARATION

- Obtain materials to supplement unit.

  NOTE: See Suggested Resources. This unit requires media support because of its interactive nature.

- Review unit and plan presentation.

- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.

- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.

- Review teaching suggestions and plan classroom activities.

- Determine how you will schedule time for clients to demonstrate competence in the required procedures.

- Invite a customer service representative from a local business to talk to the class about customer relations and its value to a business.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and service businesses, and any additional information that would be useful for the speaker and the topic.

- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

Objective 1 Define customer relations.

- Help clients to see how customer relations, though closely tied to sales, is a distinct area of its own.

Objective 2 **List six reasons why customer relations is important to any business.**

- Discuss each of the six reasons for customer relations in detail. Ask clients to share examples of businesses they patronize because of particular customer relations offered and how those services relate to these reasons.

Objective 3 **State examples of customer relations offered by many businesses.**

- Ask clients to give examples of customer relations that may be unique to their businesses.

Objective 4 **List ways the sales person can continue to build customer satisfaction after a sale.**

- Discuss the importance of taking time to appreciate customers to aid repeat business.
- Ask a client to give a personal example of a rude salesperson, and use the example to emphasize the importance of courtesy and efficiency in continuing sales.
- Discuss ideas for obtaining names of potential customers from each of your sales contacts.

Objective 5 **Identify good telephone communication skills.**

- Discuss the importance of your telephone voice and the influence and impression of your business it gives a caller.
- Discuss activities by representatives of businesses that answer telephone calls that callers find irritating. Eating food and chewing gum are two good examples.
- Discuss possible ways to personalize telephone conversation and put callers at ease, such as repeating the caller's name.

Objective 6 **State techniques for handling complaints over the phone.**

- Discuss the importance of listening carefully to a phone complaint and asking questions if necessary to get more information.

- Discuss ways to show concern about the person and the person's problem on the phone.
- Discuss what you can do if you cannot answer questions immediately for a caller.
- Stress the importance of ending the conversation in a positive way.

Objective 7 **Match the customer relations listed with one of the six reasons it is of value to your business.** (Activity Sheet 1)

- Discuss the importance of good will to each client's business.
- Discuss the image the business wishes to leave with each customer.
- Discuss how good customer relations can increase sales.

Objective 8 **Distinguish between feature and benefit statements.** (Activity Sheet 2)

- Discuss the difference between what a product can do (benefit) for a customer and what the customer tends to focus on about a product (feature).
- Choose a client's product and give examples of both features and benefits of the product.

SUGGESTED RESOURCES

Media

- *Remember Me*, CRM Films, 2233 Faraday Avenue, Carlsbad, CA 92008-9829, phone 1-800-421-0833.
- *Customer Service: The Film.* VHS, Color, 25 min., 1987, Barr Films. Through a series of connected and humorous scenes, clients learn to recognize both good and bad customer service practices and to better understand the importance of positive customer relations. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, OK 74074, phone 1-800-522-5810, ext. 164. Out-of-state teachers may contact another distributor or Barr Films, P.O. Box 7878, Irwindale, CA 01706-7878, phone 818-338-7878.

- *How to Win Customers and Keep Them for Life*
  Cally Curtis Company
  1111 North Las Palmas Avenue
  Hollywood, CA 90038-9981
  1-800-52-CALLY (or 1-800-522-2559)

- *Cooling the HOT Customer*
  Banctraining Video Systems
  610 Des Moines Street
  P.O. Box 10390
  Des Moines, IA 50306
  1-800-247-0010

- *Knowing Your Products: Features and Benefits.* ½" VHS, color, 20 min., 1988, American Bankers Association. Gene Ceedee and Roger Ebond give "thumbs up" or "thumbs down" to product features and benefits selling techniques. Order No. V274. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, OK 74074, (405)743-5164. Out-of-state teachers may contact ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

- *Spotting Common Check Fraud.* ½" VHS Color, 20 min., 1989, American Bankers Association. Employees learn to recognize the tell-tale signs of counterfeit, forged, and altered checks. Provides many close-up examples. Has a heavy emphasis on following established procedure in banking. Order No. V276. Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, OK 74074, 1-800-522-5810, ext. 164. Out-of-state teachers may contact ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.

- *A How-to Approach to Successful Customer Service*, Vido 45 min. Audio Tape and Action Guide, Sangamon and Van Buren, Chicago (312)829-5100, 1990.

UNIT REFERENCE

Publication

- *Customers Mean Business.* Pamphlet available at no cost for 50 copies or less from:

  Direct Selling Education Foundation
  1730 M Street, N.W.
  Washington, DC 20036
  (202)293-5760

INFORMATION SHEET

CUSTOMER RELATIONS

OBJECTIVE 1

Define customer relations.

- **Customer relations** — This is how the customer is treated by your employees. It is a neglected area of employee training. Customer relations involves meeting their needs for product information, answering any objections in a positive manner, and helping them make purchasing decisions to benefit both you and them.

OBJECTIVE 2

List six reasons why customer relations is important to any business.

- Increases sales.
- Creates goodwill.
- Promotes a positive business image.
- Meets or exceeds service of competitors.
- Establishes repeat business.
- Provides customer conveniences.

OBJECTIVE 3

State examples of customer relations offered by many businesses. (Activity Sheet 1)

- Free delivery of orders
- Extended hours
- Access to personnel at noon
- Credit
- Refunds
- Toll-free numbers

OBJECTIVE 4

List ways the salesperson can continue to build customer satisfaction after the sale.

- **Be appreciative** — Send "thank you" notes to customers who send you referrals or continue to order from you.
- **Send your customers business** — You can build a lasting relationship by sending people to your customers to buy their products.
- **Be efficient and courteous** — Handling all of your business, particularly complaints, quickly and politely will keep customers.
- **Be reliable** — Providing your clients with reliable service is one of the best ways to promote continued patronage.
- **Ask for referrals** — Getting a referral from each of your contacts is a good way to show customers that you value them, and it obviously can help you find new customers.
- **Don't work for free** — When you do something for a client that involves extra effort on your part, allow them to know or see it. They will remember.
- **Offer related products** — Listen to the hints your customers give about other needs.
- **Stay in touch** — Mail sales material, such as a newsletter, from time to time or call customers when you have a product they would be interested in.
- **Take care of current customers** — By providing the service, repeat customers have come to expect you will maintain their loyalty. The 80-20 rule is that 80 percent of your business comes from 20 percent of your customers.

OBJECTIVE 5

Identify good telephone communication skills.

The telephone is the most often used source of business communications currently available. Most employees are expected to handle telephone calls, and they are expected to be able to use the telephone effectively and efficiently. When responding to a telephone call, your telephone voice influences the caller's impression of the organization being represented. Good telephone skills will give callers a positive first impression. Listed below are six steps to use in order to have a pleasing telephone voice.

- Keep a smile in your voice.
- Pronounce words clearly and correctly. Be yourself.
- Choose words carefully—be direct.
- Try to keep an easy-to-understand rate and a pleasant volume.
- Speak directly into the telephone.
- Don't eat, drink, or smoke while using the telephone.

Personalizing the telephone conversation makes the listener feel more at ease and feel as if they are "getting their money's worth" out of the call. Good techniques on the telephone can assist customer relations.

- See the listener in your mind.
- Concentrate on the telephone call.
- Demonstrate understanding by asking questions, repeating information, and requesting more information if needed.
- Personal courtesy—always identify yourself at the beginning of the conversation.
- Use "please" and "thank you."
- Have a helpful attitude.
- End the conversation on an agreeable note.

In order to create a good impression, always answer the telephone promptly—within three rings is possible.

- Answer with appropriate identification.

EXAMPLE: "Good morning, Student National Bank" or
"Student National Bank, may I direct your call."

This gives the caller the impression that they are talking to a real person.

Pay careful attention to distributing calls to other people. A person calling into your institution does not want to be transferred to several people before finally ending up with the person he originally called.

When taking messages over the phone, pay careful attention to giving and getting the correct information. Write down all the important information and repeat it back to the caller. Have the following close to your phone: pen and paper, reference materials, and a clock and calendar for scheduling appointments.

OBJECTIVE 6 **State techniques for handling complaints over the phone.**

- Stay calm.
- Listen carefully and ask questions.
- Be concerned about the person's problem.
- Provide information if you can. If you do not know the answer, find out and call back, or give the message to the person who can handle the problem.
- Be courteous and end the conversation on a pleasant note.

HOW TO HANDLE OBJECTIONS THAT RELATE TO TIME OF PURCHASE AND/OR PRICE

When the customer says. . .	**Then you should . . .**
"That's more than I want to pay."	- Determine the price range desired by the customer. - Justify the price in terms of value. **NOTE:** Your price may actually be lower when quality and service are considered.
"I can buy the same thing somewhere else for less."	- Point out advantages of buying in your store. - Point out how products that look alike may not be of the same quality. **NOTE:** By doing comparison shopping on a regular basis you will be able to tell your customers whether products are exactly the same or only similar.
"I'll wait until it's marked down."	- Point out that the merchandise may soon be gone.
"I want my husband (wife, friend, boss) to see it first."	- Explain the convenience of approval, layaway, credit or return policy.
"I don't have enough money right now."	- Explain the convenience of approval, layaway, or credit policy.

"Will you cut the price?"	• I'm sorry. I don't have the authority to do that. Would you like to talk to the manager?"
"I can't afford it."	• Explain how many products will save the customer money in the long run. • Point out how the customer can't afford to be without the product. • Payment terms and trade-ins should be considered.
"I have always bought brand "X."	• Agree that it is a good brand. • Point out the benefits of your brand.
"I want to look around first."	• What is it that you're looking for that I haven't explained to you?
"I'm looking for the best deal."	• You have what you want right here.

ACTIVITY SHEET 1

CUSTOMER RELATIONS

XI

OBJECTIVE 7

Match the customer relations listed with one of the six reasons it is of value to your business.

INTRODUCTION

Customer relations vary from business to business by necessity as well as by choice. A pizza place has to offer free delivery to match what the competition is doing. There may be more than one reason for the choice of a service, but there should be a dominant reason that is easily seen.

DIRECTIONS

The following six reasons are the six most often stated for a business's choice of service to customers. Review the reasons and fill in the blanks beside the customer services listed below.

1. Increases sales
2. Creates good will
3. Promotes image
4. Meets service of competitors
5. Provides customer convenience
6. Establishes repeat business

Use the numbers 1 through 6 in the space provided to show the best reason you find for each customer service.

______Free delivery

______Extended hours

______Access to personnel at noon

______Credit

______Refunds

______Toll-free numbers

ACTIVITY SHEET 2

CUSTOMER RELATIONS

XI

OBJECTIVE 8

Distinguish between feature and benefit statements.

INTRODUCTION

There are real differences between a product's feature and the benefit a customer expects from a product. Benefit is what the product will do for the customer, and it is what they tend to focus on. Feature can include color, what comes with it, and other factors about the product. Features of a product can determine benefit but they are different.

DIRECTIONS

Place a "B" in front of the benefit statements and an "F" in front of the feature statements.

______1. This rotating brush pulls out deep down dirt and will make your carpet cleaner.

______2. Legs on this utility table adjust to allow leveling.

______3. This sewing machine allows you to use 18 different stitching patterns.

______4. The construction of this exercise bike is cast aluminum.

______5. These curtains are 24 × 36 inches.

______6. This floor covering is 30% nylon and will give you better wear and be easier to clean.

______7. This suit coordinates well and does not require dry cleaning.

______8. Your family will find hours of enjoyment from these educational reference books.

______9. This shirt is 100% cotton.

_____10. This silver serving includes engraving for a special gift.

_____11. This is good prepasted wall covering.

_____12. Since the paint is sealed at the factory, this lawn chair will withstand years of outdoor use.

_____13. You will like this tie; spots can be easily wiped off.

_____14. These shoes will go with many fall colors.

_____15. This cutlery is the finest surgical quality stainless steel.

ACTIVITY SHEET 1

Check that answers are appropriate to each participant's type of business.

ACTIVITY SHEET 2

1. F
2. F
3. F
4. F
5. F
6. B
7. B
8. B
9. F
10. B
11. F
12. B
13. B
14. B
15. F

OBJECTIVE SHEET

RECORDKEEPING AND TAX COMPLIANCE

XII

INTRODUCTION

All businesses have the headaches of recordkeeping. However, the process can be simplified when a clear, up-to-date and accurate recordkeeping system is in operation. With a few guidelines and help from professionals, any business can set up and maintain solid records.

Some of the most important records that must be kept pertain to taxes. The many different forms of taxes required of a business owner demand accurate records, careful estimates, and prompt payment. *A mistake in this area could be quite costly.*

UNIT OBJECTIVE

After completing this unit, the client should be familiar with advantages to current and accurate recordkeeping, major characteristics of a successful system, the advantages and disadvantages of single and double-entry accounting methods, and elements needed to maintain a good system. The client should also be familiar with various taxes that must be paid by small businesses. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with recordkeeping.
2. Discuss reasons why keeping current and accurate records is crucial to good business.
3. List six major characteristics of a good recordkeeping system.
4. Distinguish between single-entry and double-entry bookkeeping systems.
5. Discuss basic elements needed to maintain a good recordkeeping system.
6. Select from a list types of taxes for which small businesses and their owners are liable.
7. Discuss basic principals surrounding tax compliance.
8. Identify keys to maintaining good records. (Activity Sheet 1)

9. Compare single-entry and double-entry bookkeeping. (Activity Sheet 2)

10. Determine which tax forms to use and their due dates. (Activity Sheet 3)

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
    - *Steps In Meeting Your Tax Obligations*, Management Aids number 1.013
    - *Keeping Records In Small Business*, Management Aids number 1.017
    - *Getting The Facts For Income Tax Reporting*, Management Aids number 1.014

    NOTE: All of the above business publications are distributed by the U. S. Small Business Administration.
- Copies of the following tax forms should also be on hand for clients.
    - Schedule C-Profit or Loss From Business or Profession
    - Schedule SE-Computation of Social Security Self-Employment Tax
    - Form 1040 ES-Estimated Tax For Individuals
    - Form SS-4-Application For Employer Identification Number
    - Form 94-D-Employer's Annual Federal Unemployment Tax Return
    - Publication 15 Circular E-Employers Tax Guide
    - Publication 539-Employment Taxes

- Invite a Certified Public Accountant to explain double-entry bookkeeping and tax requirements to the class.

- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.

DELIVERY

Objective 1 Define terms associated with recordkeeping.

- Review terms related with unit and ask questions to make sure clients have a general understanding of them.

Objective 2 Discuss reasons why keeping current and accurate records is crucial to good business.

- Discuss with your class the importance of accurate records. Ask clients to share incidents where improperly handled records have caused problems in their businesses.

Objective 3 List six major characteristics of a good recordkeeping system.

- Quickly discuss the major characteristics of good recordkeeping and its importance. Show film "Basic Records For a Small Business" or another film of your choice.

Objective 4 Distinguish between single-entry and double-entry bookkeeping system.

- Have clients consider the advantages and disadvantages of single-entry bookkeeping vs. double-entry. Ask clients to come up with types of businesses that would use each.

Objective 5 **Discuss basic elements needed to maintain a good recordkeeping system.**

- Review each element of good recordkeeping systems and answer any questions that clients may have. Use Supplements 1 through 7 to show examples of the different types of ledgers and records.

Objective 6 **Select from a list types of taxes for which small businesses and their owners are liable.**

- Be sure to have a Tax Specialist or Certified Public Accountant on hand for this discussion. Tax laws change so frequently it is almost impossible to keep up from year to year. Distribute different tax forms to clients and have them ask any questions regarding them.

Objective 7 **Discuss basic principles surrounding tax compliance.**

- Review tax obligations for small businesses. Distribute *Steps in Meeting Your Tax Obligations.* Discuss Assignment Sheet 2 at the end of class and ask for it to be completed before the next class.

APPLICATION

Objective 8 **Identify keys to maintaining good records.**

- Have clients use Activity Sheet 1 to list three improvements that could be made within their own recordkeeping systems.

- Use Activity Sheet 2 to make sure clients have a general understanding of the advantages and disadvantages of single-entry bookkeeping and double-entry bookkeeping.

- Distribute Activity Sheet 3 after discussing various forms of taxes.

SUGGESTED RESOURCES

Media

- *Basic Records for a Small Business*

  NOTE: Part of "Running a Small Business" series distributed by:

  Beacon Films
  P. O. Box 575
  Norwood, MA 02062
  (617) 762-0811

- *Open for Business.* ½" VHS, color, 60 min., 1985, Maryland State Department of Education.

  Program 5 — Introduces the importance of good financial management and summarizes the different kinds of recordkeeping. Order No. V025.

  Program 6 — Stresses the responsibility of people in management for making the important decisions to ensure long-term profit. Order No. V025.

  Available to Oklahoma teachers on a free-loan basis from the Resource Center, Oklahoma Department of Vocational and Technical Education, 1500 West Seventh Avenue, Stillwater, Oklahoma 74074, (405) 743-5164. Out-of-state teachers may contact Maryland State Department of Education, 11767 Bonita Avenue, Owing Mills, MD 21117.

- *Where You Are; Where You Are Going*

- *Taking Care of Business*

  NOTE: The two films above can be requested at any Small Business Administration office.

- John, Jerry, "The Accounting Process", from the *That's Business* series.

UNIT REFERENCES

- Kamoroff, Bernard, *Small Time Operator: How to Start Your Own Small Business, Keep Your Books, Pay Your Taxes and Stay Out of Trouble*. Bell Springs Publishing Co. 1981.

- Newstrom, John & Scannell, *Games Trainers Play: Exceptional Learning Exercises*. McGraw Hill, Inc.

- *Program for Acquiring Competence in Entrepreneurship.* Revised. The National Center for Research in Vocational Education 1983. Units 10 and 15.
- *Recordkeeping: Business Information, Small Business Management Training Instructors' Guide - Number 105.* U.S. Small Business Administration, Office of Management Assistance, 1984.
- Small Business Reporter Series. Bank of America, *Steps to Starting a Business.* San Francisco, CA. 1983.

INFORMATION SHEET

RECORDKEEPING AND TAX COMPLIANCE

XII

OBJECTIVE 1

Define terms associated with recordkeeping.

- **Account** — A record of business transactions

  EXAMPLES: Accounts are set up whenever goods or services are paid for with credit, various accounts are set up within a business to monitor things such as business supplies and equipment. Banks also use accounts in order to record deposits and withdrawals.

- **Accountant** — A professional who is well trained in keeping business records

  NOTE: Accountants set up recordkeeping systems needed to successfully run a business, and help business owners understand and effectively use business records.

- **Accounts Payable** — A record of operating debts owned *by* a business

- **Accounts Receivable** — A record of money owed *to* a business

- **Asset** — Any article of worth owned by a business

  EXAMPLES: Accounts receivable, investments owned by the business, cash in the bank, buildings, fixtures, property, salable inventory

- **Bank Reconciliation** — Making a business's record of deposits and withdrawals match with the bank's records

- **Bookkeeping** — Recording business transactions accurately and promptly in the appropriate ledgers

- **Cash disbursements** — The actual money paid out by a business

- **Cash Receipts** — The actual amount of money taken in by a business from its customers

  NOTE: This does not include credit sales, but does include credit payments.

- **Credit** — Decreases assets and increases both liability and equity; credit entries are made on the right side of a ledger

- **Current assets** — Assets convertible to cash within one year (accounts receivable, inventory)

- **Debit** — Increases assets and decreases both liabilities and equity; a debit is recorded on the left side of a ledger

- **Depreciation** — Deterioration of the value of assets due to use or time

  NOTE: The loss of value must be spread out over the life of the asset. The time period is specified by government regulations.

- **Double-entry** — A bookkeeping system that uses debit and credit to record all transactions; when a change is made in one account it will be offset by an increase or decrease in another account

  NOTE: This system allows a company to check for complete accuracy.

- **Fixed assets** — Assets used for the production of income

  EXAMPLES: Machinery, equipment, furniture and fixtures, vehicles, leasehold improvements (not inventories)

- **Income** — Money taken in

- **Liability** — All debts

  EXAMPLES: Accounts payable, loans, income tax, credit notes, notes payable, tax payable

- **Net Worth** — Assets minus liabilities

- **Notes payable** -— Monies borrowed for the operation of the business

- **Single Entry** — Not as complicated as double-entry; centers around the flow of income and expenses of a business; single-entry bookkeeping is adequate for tax purposes

- **Taxes payable** — Taxes owned by a business

  NOTE: Tax authorities include federal, state, local, and county agencies. There are different types of taxes with different due dates. See Objective 6.

OBJECTIVE 2

Discuss reasons why keeping current and accurate records is crucial to good business.

- Accurate and current records keep business owners informed about their company's financial status at all times.

- Good records can reveal important business trends such as high and low sales periods, high operating costs, and inventory levels.

- Records help control costs and are instrumental when determining competitive, profit-producing prices. Records can show whether or not profit is being lost through theft, poor pricing practices, and other costs.

- Records are needed whenever a business seeks financing. In most cases a company's records will be examined before a loan is made. Sometimes suppliers will take a look at a company's records before extending credit.

- Records are required for legal and tax purposes.

- Business investors and potential buyers are always interested in seeing the business' financial records.

- Having accurate and current records help a business owner every day when making decisions about inventory investment or purchasing more equipment or labor, and can assist with concerns about accounts receivable.

OBJECTIVE 3 **List six major characteristics of a good recordkeeping system.**

- Accurate
- Reliable
- Easy to understand
- Simple to use
- Consistent
- Designed so that information can be provided at any time

OBJECTIVE 4 **Distinguish between single-entry and double-entry bookkeeping systems.**

SINGLE ENTRY

- Easy to operate and understand
- Inexpensive. Many single entry systems can be purchased for a minimal cost at office supply stores.
- No formal training or experience needed.
- Takes less time because entries are made only once.
- Mistakes are hard to find. Calculating loss of merchandise is difficult.
- Other system may be required to keep track of concerns that are not addressed using single-entry systems.

DOUBLE ENTRY

- Difficult to understand. A person must have formal training to set up and operate this system.
- Errors can be traced quickly because debits and credits have to balance.
- Provides more management information because comparisons can be made at any time for any account item listed on the books.
- Has a greater number of entries, making the possibility of error more likely.

OBJECTIVE 5

Discuss basic elements needed to maintain a good recordkeeping system.

- **Sales records** — A cash register or hand-written multi-copy sales slip enables business owners to classify sales transactions by cash, charge, salesperson, department, or any other category.

- **Accounts receivable** — Each credit customer should be recorded in a Credit Ledger or on a separate sheet. The record must contain each charge, each payment, and a running balance. It is best to post all transactions at the end of each day so records are kept up-to-date and payments are not entered before charges. (Supplements 1 & 2)

- **Accounts payable** — Separate files kept for each supplier who is paid by credit. Any correspondence that relates to vendor purchases should be filed in the proper vendor file until the invoice is paid.

  NOTE: Some businesses prefer to file their invoices by date to ensure timely payment.

- **Depreciation schedule** — Records of depreciation of fixed assets. Any assets used for the production of income can be depreciated over a designated useful life of the asset. (Supplement 3)

- **Employee compensation records** — Each employee should have a separate file including the employee's W-2 withholdings statement, insurance information, emergency phone numbers, the original application and any other information deemed relevant. It is important that every employee paid on a hourly basis fills out a time card to prove the business' compliance with overtime and minimum wage requirements.

  NOTE: Another record sheet listing weekly number of hours worked, gross pay, federal and state income tax deductions, FICA, and net pay must be kept for each employee. Most business checkbooks have a separate stub that keeps track of this information and makes a copy for both the employer and employee. Properly organized payroll records will help when filing quarterly federal tax returns. (Supplement 4)

- **Business checking account** — Cancelled checks from the checking account are the best proof for documenting business expenditures. This type of account will also ensure a second set of records in the event that the original set is somehow destroyed.

- **Bank account reconciliation** — Balancing the company checkbook. All deposits, cancelled checks, and ending balances that are recorded on a monthly bank statement must match the records held by the business. If there are discrepancies, they must be sought out and remedied.

- **Cash receipts (Income ledger)** — A ledger that records all cash received by a business, including cash sales, payment on charge purchases, and deposits made on layaway or special order sales. Other forms of income also to be recorded on this ledger include interest, sales of assets, and loan proceeds. (Supplements 5 & 6)

- **Cash disbursements (Expenditure Ledger)** — Used to list every payment made for a business. There should be columns for both miscellaneous and major expenses. (Supplement 7)

- **Record of business assets** — Individual files kept for each major item owned by a business (items might include heavy equipment, copy machines, computers, typewriters, etc.). Receipts, titles, guarantees, and warranties are kept in these individual files so they can easily be found when needed.

- **Insurance records** — Files containing individual insurance policies. These files must be kept in a safe place, such as a fire-proof box or safe deposit box. One separate document should be compiled for quick reference that lists policy numbers, amount of coverage, and premium due dates.

- **Inventory control** — A system that enables a business owner to keep track of equipment, supplies, and merchandise. A good system allows losses to be reduced, prevented or at the least recorded. Inventory control will also help show which items move quickly or slowly. Consignment or customer-owned merchandise can be recorded and approximate totals can be assessed between inventories.

- **Petty cash account** — A cash fund for small purchases. One check is written for a designated amount of cash (amount depends on individual needs of the business) and is kept separate in an envelope or box to be used as needed. All receipts for petty cash purchases must be kept and recorded so that when the fund is replenished the correct accounts can be charged.

OBJECTIVE 6

Select from a list types of taxes for which small businesses and their owners are liable.

NOTE: It is important to realize that unless a business owner has specialized training in tax preparation a certified public accountant or qualified tax advisor must be consulted to insure that only the minimum amounts of mandatory taxes are paid. Without this professional advice business owners might find themselves paying more taxes than necessary.

- Corporate and Individual Income Taxes
- Employment Taxes
- Social Security Taxes
- Various other state and local taxes

OBJECTIVE 7

Discuss basic principles surrounding compliance.

NOTE: See Small Business Administration publications.

- A business owner must have a good understanding of tax liability.
- Estimated taxes must be paid quarterly.
- Taxes must be paid on time to avoid monetary penalties.
- Be sure to have enough money set aside to pay taxes.
- When in doubt, hire an expert such as a lawyer, accountant or tax counselor to ensure proper filing of taxes.

CREDIT LEDGER

Date of Sale	Customer Name	Invoice Number	Total Amount of Sales					Date Paid	Memo
8-23	Brooks, J.L.	402		1	2	3	64	9-14	
8-25	Davidson, M.	408			5	2	60		Notice Sent 9-10
8-29	Lawson, S.	413			8	8	20		

1	2	3	4	5	6
SALE DATE	CUSTOMER	INV. NO.	TOTAL SALE AMOUNT	DATE PAID	MEMO

EQUIPMENT DEPRECIATION LEDGER

DESCRIPTION	[illegible]	NEW OR USED	COST	CREDIT	USEFUL LIFE	DEPR BAL	DEPR 19--	DEPR BAL	DEPR 19—	DEPR BAL	DEPR 19--

DEDUCTIONS					DEPARTMENT	NAME – LAST	FIRST	MIDDLE	
PAY PERIOD →	1ST	2ND	3RD	4TH					
					POSITION	ADDRESS			TELEPHONE NUMBER
HOURLY RATE $	WEEKLY OR OTHER RATE $	NUMBER OF EXEMPTIONS FED _____ STATE _____			MALE ☐ FEMALE ☐	MARRIED ☐ SINGLE ☐	STARTING DATE	SOCIAL SECURITY NUMBER	EMPLOYEE NUMBER

EMPLOYEE EARNINGS RECORD

LINE	19___ PERIOD ENDING	TIME WORKED		RATE PER	EARNINGS			DEDUCTIONS					NET PAID		TAXABLE EARNINGS
		DAYS	HOURS		REGULAR	OVERTIME OR OTHER	TOTAL	O.A.B.	WITHHOLDING TAX				AMOUNT	CHECK NUMBER	
1															
2															
3															
4															
5															
6	JANUARY TOTAL														
7															
8															
9															
10															
11															
12	FEBRUARY TOTAL														
13															
14															
15															
16															
17															
18	MARCH TOTAL														
19	1st QTR TOTAL														
20															
21															
22															
23															
24															
25	APRIL TOTAL														
26															
27															
28															
29															
30															
31	MAY TOTAL														
32															
33															
34															
35															
36															
37	JUNE TOTAL														
38	2nd QTR TOTAL														
39	TOTAL TO DATE														

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INCOME LEDGER Month of ____________

1	2	3	4	5	6	7
DATE	SALES PERIOD	TAXABLE SALES	SALES TAX	NON-TAXABLE SALES		TOTAL SALES
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
	TOTALS FOR MONTH					

INCOME LEDGER FOR THE MONTH OF July

DATE	SALES PERIOD	TAXABLE SALES	SALES TAX	NON-TAXABLE SALES FREIGHT	NON-TAXABLE SALES WITH SALE	TOTAL SALES
		128 65	10 85			139 50
		213 98	20 01	8 50		242 49
	6-10					
		689 15	62 51			751 30
	Closed	152 68	12 21			174 89
		210 08	17 33			227 41

EXPENDITURE LEDGER

DATE	CK. NO.	PAYEE	1 TOTAL	2 MATERIALS	3 SUPPLIES & POSTAGE	4 EMPLOYEE PAYROLL	5 UTILITIES	6 RENT	7 ADVERTISING	8 MISC
6/1	201	A.M. REPORTER	67.00						67.00	
6/1	202	EXEC SUPPLY	42.50	42.50						
6/2	203	POSTMASTER	25.00		25.00					
6/2	204	CITY EQUIPT CO (lease)	73.45	73.45						
6/2	205	THE POWER COMPANY	163.00				163.00			

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ACTIVITY SHEET 1

RECORDKEEPING AND TAX COMPLIANCE

OBJECTIVE 8 **Identify keys to maintaining good records.**

INTRODUCTION A complete and accurate recordkeeping system is a valuable resource that any small business can easily put in place. A continual effort must be made to keep records up-to-date and to identify any areas that need attention or improvement. Before completing this activity, be sure to carefully review Objective 5.

DIRECTIONS After reviewing your own recordkeeping system, list three improvements that could be made and explain why.

1. ____________________

2. ____________________

3. ____________________

ACTIVITY SHEET 2

RECORDKEEPING AND TAX COMPLIANCE

XII

OBJECTIVE 9 **Compare single-entry and double-entry bookkeeping.**

INTRODUCTION Making a decision about the type of bookkeeping to be used for a business is a very serious one. If a company's records are not accurate and complete many complications can arise, especially when dealing with taxes. Each business has different needs and therefore different systems of records are needed.

DIRECTIONS **Using your business as a model answer the following questions:**

1. What type of bookkeeping system do you use?

____

2. Explain why you chose this system.

____

____

____

3. Compare the advantages and disadvantages of single and double-entry bookkeeping for your business.

SINGLE-ENTRY

Advantages Disadvantages

____

____

DOUBLE-ENTRY

Advantages Disadvantages

____

____

ACTIVITY SHEET 3

RECORDKEEPING AND TAX COMPLIANCE

XII

OBJECTIVE 10 **Determine which tax forms to use and their due dates.**

INTRODUCTION Since there are so many different types of taxes, choosing the appropriate tax form can sometimes be confusing. This exercise is designed to familiarize you with taxes a small business person is liable for and what tax form is needed when submitting payment. Use information gained in class, and forms that were given to you by your instructor to complete the following assignment.

If you haven't already done so, mark tax due dates on your calendar and mark the dates on which you should take your records to an accountant.

DIRECTIONS Match types of taxes to their appropriate tax form by putting the correct letter in the blank. Using your business as a model write the due dates for taxes in the space provided.

a. Form 941 and deposit form 501
b. Form 720
c. Form 940
d. Form 1040 ES

Due Dates

1. Corporate and individual income taxes ______ ____________________
2. Unemployment taxes ______ ____________________
3. Social Security taxes ______ ____________________
4. Excise Taxes ______ ____________________

ACTIVITY ANSWERS

RECORDKEEPING AND TAX COMPLIANCE *XII*

ACTIVITY SHEET 1

Review client's listed improvements and add any comments that would be helpful.

ACTIVITY SHEET 2

Make sure clients have taken into account points made in Objective 4.

ACTIVITY SHEET 3

1.	d	April 15, June 15, September 15, January 15
2.	c	Deposits due one month after close of quarter. Annual return due January 31, or February 10.
3.	a	April 30, July 31, October 31, January 31
4.	b	Either monthly, semi-monthly, or quarterly.

OBJECTIVE SHEET

UNDERSTANDING AND USING FINANCIAL STATEMENTS XIII

INTRODUCTION

Financial statements are prepared for the largest corporations and for the smallest sole proprietorships. They are an invaluable tool that enables business owners to know exactly where they stand financially. By using completed financial statements to figure key ratios a business' financial status can be compared to other businesses of the same nature, and to ratios that have been compiled in the past.

UNIT OBJECTIVE

After completing this unit, the client should be able to understand the contents of a financial statement and use it to find ratios. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with financial statements.
2. Discuss the advantages of good financial management.
3. State the procedures required to successfully manage business finances.
4. Select from a list statements about the preparation, understanding, and use of financial statements.
5. Discuss financial statements.
6. Match major categories contained in an income statement with their descriptions.
7. Describe three different formats of balance sheets.
8. Discuss the accounting equation that sums up a balance sheet.
9. Discuss major categories contained in a balance sheet.
10. Discuss reasons to use key ratios when analyzing a business.
11. Discuss key ratios.
12. Calculate key ratios. (Activity Sheet 1)

13. Use financial statements to determine the status of a business. (Activity Sheet 2)

SUGGESTED ACTIVITIES

UNDERSTANDING AND USING FINANCIAL STATEMENTS XIII

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a lawyer or a Certified Public Accountant to class, ask them to answer questions that clients might have and discuss advantages of financial statements.

NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover.

DELIVERY

Objective 1 Define terms associated with financial statements.

- Ask clients to quickly skim terms associated with financial statements.
- Ask clients to voice questions about any terms they find confusing.

Objective 2 Discuss the advantages of good financial management.

Objective 3 State the procedures required to successfully manage business finances.

- Have clients give examples of the basic functions of financial management. Expand each idea and relate to the four basic functions listed.
- Discuss the possible consequences of bad financial management in the small business, from unprofitable operation to business failure.
- Discuss the uses of goal setting and record-keeping and how these aid in small business success or failure.

Objective 4 **Select from a list statements about the preparation, understanding, and use of financial statements.**

- Have clients discuss how and where to get the information needed for forecasting.
- Compare information that is specific to several different types of small businesses, such as a fast-food store and a t-shirt shop.
- Invite a local accountant or small business owner to speak to the class about the factors in a specific industry that relate to forecasting and sound financial management practices.

Objective 5 **Discuss financial statements.**

- Briefly review reasons for compiling financial statements. Ask clients to add any additional reasons they might have.
- Ask clients if they have financial statements prepared for their business. If so, ask them to share with the class ways they have been helpful to their business.

Objective 6 **Match major categories contained in an income statement with their descriptions.**

- Discuss each category of an income statement completely. Ask clients for additions to examples given. (Supplements 1 and 2)

Objective 7 **Describe three different formats of balance sheets**

- Discuss each format completely.
- Show examples of each format.

Objective 8 **Discuss the accounting equation that sums up a balance sheet.**

- Write the equation used when compiling a balance sheet on the chalk board. Have clients highlight it in their materials. Use figures from a hypothetical company to work through the equation.

Objective 9 **Discuss major categories contained in a balance sheet.**

- Discuss balance sheets with class. After reviewing all categories ask clients to give examples of other categories that would be needed to compile a complete balance sheet for their businesses.

Objective 10 **Discuss reasons to use key ratios when analyzing a business.**

- Briefly discuss with class reasons for figuring key ratios.

Objective 11 **Discuss key ratios.**

- After reviewing the key ratios listed, have clients complete activity sheet. Make yourself available for questions and walk around the room randomly checking their answers.

APPLICATION

Objective 12 **Calculate key ratios.**

Objective 13 **Use financial statements to determine the status of a business.**

- Use Activity Sheets 1 and 2 to help clients perform a financial analysis.
- Discuss how key ratios can determine a business' status with ratios calculated in Activity Sheet 1. This discussion will help clients understand how to interpret their results in Activity Sheet 2.

SUGGESTED RESOURCES

Media

- *The Income Statement* Alaska Pacific Bank and SBA.
- *The Balance Sheet* Alaska Pacific Bank and SBA.

- *Accounting in the Business World*, 16 mm, 3c/6fs, Eye Gate, 1971.

  1. What You Need to Know
  2. Not Running Out of Money
  3. A Guide to Business Performance
  4. How Did You Really Do?
  5. Assets and Liabilities
  6. What You're Really Worth

- *Alex Accounting: A Learning Experience in Accounting*, 5c/5fs, Prentice Hall, 1973.

  1. Journalizing and Posting
  2. Closing Procedures
  3. Adjustments of Accounting Records
  4. Worksheets
  5. Cashflow

NOTE: These films are available to Oklahoma teachers on a free-loan basis. Oklahoma teachers may order these films from the Curriculum and Instructional Materials Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074. Out-of-State teachers must order these films direct from the company.

UNIT REFERENCES

- Bank of America. "Financing Small Business." *Small Business Reporter*, Vol. 14, No. 10. San Francisco, CA: Bank of America, 1980.

- Bank of America. "Understanding Financial Statements." *Small Business Reporter*, Vol. 14, No. 6. San Francisco, CA: Bank of America, 1980.

- *Fundamentals of One-Write Systems*. American Institute of Certified Public Accountants.

- Diener, R. *How to Finance Your Growing Business*. Spectrum, 1981.

- McQuat, W. *Tax Planning for the Closely held Corporation, Self Study Guide*. American Institute of Certified Public Accountants.

- Regan & Swich. *Fundamentals of Record-Keeping & Finances for the Small Business.* Reston Publishing Co., Inc.

- Tracy, J. *How to Read a Financial Report: Wringing Cash Flow and Signs of Numbers.* New York: John Wiley & Sons, Inc.

- Tucker, Spencer A. *Profit Planning With the Break-Even System.* New York: Thomond Press, 1980.

- SBA Booklets

115A	Free MA Publications List
115B	For Sale MA Publications List
OPC-2	Your Business and the SBA
MA 1.001	ABC's of Borrowing
MA 1.004	Basic Budgets for Profit Planning
MA 1.006	Cash Flow
MA 1.016	Sound Cash Management and Borrowing
MA 1.018	Check List for Profit Watching
SBA 1019	P&L Projection Worksheet
SBA 1100	Cash Flow Projection Worksheet
SBB 87	Financial Management
SBMS 15	Handbook of Small Business Finance
BB 1001	Business Basics — The Profit Plan

INFORMATION SHEET

UNDERSTANDING AND USING FINANCIAL STATEMENTS XIII

OBJECTIVE 1

Define terms associated with financial statements.

- **Accounts receivable** — Debts owed to the business that have not yet been collected
- **Accrued expenses** — Non-trade expenses incurred, but not paid
- **Aging receivables** — A comparison between accounts that have been long outstanding and those that are current. This comparison will show which accounts will generate cash and which will not.

  EXAMPLE: If an account is more than 90 days past due, it should not be counted on for revenue. The aging receivables account may signal developing cash flow problems.

- **Amortization** — Using installments to pay off a liability over a set period of time

  EXAMPLE: Mortgages are amortized by paying off part of the face value

- **Assets** — Anything of value owned by a business enterprise
- **Balance sheet** — An itemized list of a business' total assets and total liabilities; indicates net worth
- **Break-even analysis** — A way to determine the point at which a business will show neither profit nor loss
- **Capital** — Accumulated goods a business uses to gain a profit; also considered net worth
- **Capital equipment** — The equipment used in a business to produce or provide a product or service. Capital equipment is not normally sold in the course of business, but instead is worn out or consumed in a process of doing business

- **Cash flow** — The cash that moves in and out of a business; an actual cash flow amount is derived by subtracting disbursements from receipts; this amount is often used instead of a net income figure to indicate a firm's solvency

  NOTE: When applied to a corporation, a cash flow can be used instead of a net income statement to better indicate the firm's ability to meet financial obligations and pay dividends.

- **Collateral** — A thing of value that is given or held as promise that a loan or debt will be paid; if the debt is not paid as agreed, the lender may choose to seize the item to sell or keep

- **Corporation** — A form of business ownership that must be approved by a governmental agency; owners buy stock and receive dividends from profits made by the business

- **Current assets** — The cash or items that will be turned to cash during a year of normal business and the resources that will be used up in a year of normal business operation

  EXAMPLE: Standing inventory, office supplies, cash

- **Current liabilities** — Money a business owes, such as accounts payable, wages payable, taxes payable, etc., that will normally be paid within one year's time

- **Day's Accrual** — Average length of time that it takes to pay accrued expenses

  EXAMPLE: Insurance, wages, payroll taxes

- **Debt capital** — Borrowed portion of investment capital; the remaining portion of investment capital is equity or owner capital

- **Depreciation** — The reduction in value of an asset due to normal wear and tear; it enables a business to write off the purchase price of an item over its useful life; the loss is recorded as an expense

  EXAMPLE: Items owned by a business such as cars, trucks, machinery, photo copiers, computers, and cash registers are all depreciable assets.

- **Equity** — The worth of a business or property over the liens against it
- **Equity capital** — (Also called owner capital) Capital invested in a business; may be derived from personal savings, cash gifts, or grants; equity capital does not have to be repaid
- **Forecast** — An estimate or prediction of future business activity
- **Income statement** — Also called a profit-and-loss statement, it provides business owners with a figure showing exactly how much the business made or lost over the preceding year; when these statements are saved year after year they are used to predict how a business will do in the future
- **Liquid** — Assets a business can turn almost immediately into cash
- **Mortgage loan** — A loan used to purchase or lease a building
- **Net worth** — An owner's equity in a business figured by subtracting the total liabilities from the total assets
- **Obsolescence** — Outdated material or equipment that could be replaced by more advanced or newer goods
- **Owner equity** — Money left after liabilities are subtracted from assets; it is the amount of money that may be considered the owner's and not the businesses' or the creditors of the business
- **Pro forma** — Taking present actions and future assumptions into account to predict or estimate future finances
- **Profit** — The amount above the selling price of a product or service after the actual costs and expenses have been deducted; profit is also the compensation to the owner or entrepreneur for risks taken and effort or investment in a business enterprise
- **Return on investment** — Measurement of rate of return on money invested in an enterprise

- **Working capital net** — The amount of cash on hand to carry on day-to-day business; the actual amount available is derived from subtracting current assets from current liabilities

OBJECTIVE 2 **Discuss the advantages of good financial management.**

Sound financial management, the use of basic tools and knowledge in business money matters, is essential to the successful small business. Failure is usually not caused by a lack of money, but by a lack of good financial management skills. Financial management helps the small business owner to know the money needs of the business and to learn how to use the money obtained effectively. Finding finances and putting those finances to work successfully in the small business are the major goals of financial management. Financial statements, applied ratios, profit forecasting, and cash flow projection are all resources available to the small business owner to aid in successful operation.

The four basic functions of financial management are:

- Allows for budgeted projection of sales, expenses and cash flow.
- Helps determine the need for additional money.
- Helps determine means of securing additional money.
- Helps determine use of additional money.

OBJECTIVE 3 **State the procedures required to successfully manage business finances.**

- Set goals.

  EXAMPLE: Increase first quarter sales while decreasing production expenses during the same quarter.

- Maintain good records.
- Do financial projections and statements in a timely manner.
- Take advantage of good financial management to reach needed results.

OBJECTIVE 4

Select from a list statements about the preparation, understanding, and use of financial statements.

Financial statements are critical reports for staying in touch with the business's financial aspects. They must be given proper attention and maintained with accuracy to be the valuable tools they are meant to be.

- Record the business by performance.

  EXAMPLE: Sales per quarter, production per year, etc.

- Aid the owner in looking at strong and weak points of the business.

- Assist the owner in compiling business records for important financial information about the business.

- Balance sheet and income statements are the two main financial statements of a business.

  NOTE: The balance sheet shows the picture of the business at a specific time. The income statement looks at the overall picture of the business over a certain period of time.

- Applying key ratios allows the most efficient use of information from financial statements. Answers from the ratios give good management assistance to the small business owner.

OBJECTIVE 5

Discuss financial statements.

- Financial statements enable business owners to identify strengths and weaknesses within their operation.

- The performance level of a given company can be recorded regularly.

- The income statement provides information about the revenue and expenses of the business over a given period of time.

- The balance sheet shows the book value of all assets, liabilities and net worth.

OBJECTIVE 6

Match major categories contained in an income statement with their descriptions. (Supplements 1 and 2)

- **Net sales or revenue** — Gross sales minus returns and allowances
- **Cost of goods sold** — Cost of inventory sold during the period
- **Gross profit or gross margin** — Total profit from sales before expenses
- **Operating expenses** — The total of administrative expenses and selling expenses

ADMINISTRATIVE

Administrative expenses are operating costs that do not change significantly if sales increase or decrease. Some examples are: depreciation of office equipment and building, rent or loan payment on building, office supplies, postage, utilities, salaries and wages of permanent employees, payroll taxes, legal and accounting services.

SELLING

Selling expenses include any cost that goes up or down depending on amount of sales. This category would include promotions, depreciation on equipment used directly in sales, advertising, salaries and wages of individuals who are employed when needed (seasonal workers).

- **Operating profit** — Profit before operating costs are deducted
- **Net income before tax** — Figure used to calculate amount of tax owed

NOTE: Sometimes a business will experience an exceptional gain or loss during a set period of time. In this event another category would be added to the income statement. One set form does not act as an income statement for all businesses. Businesses must be analyzed on an individual basis in order to create a statement that perfectly addresses the business's needs.

OBJECTIVE 7

Describe three different formats of balance sheets.

- Account formats — Consists of two columns with assets at the left and liabilities at the right. This is the most commonly used form
- Statement formats — Has only one column listing assets first, then liabilities and equity
- Report formats — Lists assets at the top, and liabilities at the bottom

OBJECTIVE 8

Discuss the accounting equation that sums up a balance sheet.

Assets = Liabilities + Equity

OR

Assets - Liabilities = Equity

NOTE: An increase or decrease on one side of the equation must equal an increase or decrease on the other side. If the two sides do not balance, there is an error in records used to compile the statement, or calculations.

OBJECTIVE 9

Discuss major categories contained in a balance sheet.
(Supplements 3 and 4)

- **Current assets** — Assets that will be turned into cash or used up by the company within one year. This category includes cash, inventory, short term investments, and accounts receivable.

  NOTE: Only accounts receivable that will be collected should be included.

- **Fixed assets** — Sometimes referred to as plant and equipment. These are assets that are bought to be used in the operations of a business, not to be resold. This category might include vehicles (less accumulated depreciation), building (less accumulated depreciation), furniture and fixtures (less accumulated depreciation), and land.

- **Current liabilities** — Any debt that will be paid off within a 12 month period. This category might include accounts payable, notes payable, taxes payable, wages payable.
- **Long-term liabilities** — Debts that will not be paid off within a twelve month period. These include mortgages payable and bonds payable.

HOW THE INCOME STATEMENT AND BALANCE SHEET ARE INTERRELATED

The income statement and balance sheet are interrelated in two ways. Net income shows up at the bottom of the income statement. This figure is carried over to the balance sheet and entered in the equity section. This allows the income statement to adjust equity up or down when the business has positive or negative income.

The income statement and balance sheet are also interrelated through the inventory account. This account shows up on the income statement as a reduction in the cost of goods sold, reflecting goods purchased but still on hand at the end of the accounting period. The same figure is carried over to the balance sheet since goods still on hand are an asset to the business.

OBJECTIVE 10

Discuss reasons to use key ratios when analyzing a business.

- Success and progress are evident.
- The possibility of failure can be identified before it is too late.
- The current status of the business is evident.
- If key ratios are used on a regular basis, comparisons can be made with past ratios from the owned business and with similar businesses that also compile key ratios.

OBJECTIVE 11

Discuss key ratios.

LIQUIDITY RATIOS

- **"Acid Test" Ratio** — A formula that determines whether a business' cash coupled with its liquid assets equals or exceeds immediate liability. The "Acid Test" is used by almost all lenders as an indicator of a business' ability to meet current financial obligations.

  Formula: $\frac{\text{All liquid assets}}{\text{Immediate liabilities}}$

- **Current ratio** — Found when current assets are divided by current liabilities. Similar to the "Acid Test" but deals only with a one-year period.

  Formula = $\frac{\text{Current assets}}{\text{Current liabilities}}$

- **Working Capital** — While not actually a ratio, working capital provides information on the available resources the business can tap for ongoing operation costs. Since it is a dollar figure, it cannot be used for comparison purposes to other businesses. For example, if two firms both have $10,000 in working capital, and current liabilities of $15,000 and $5,000 respectively, the latter firm is in better shape despite the equal working capital figures.

- Formula = Current assets - Current liabilities

  NOTE: Working capital is not strictly a ratio, but is used to measure cash flow and immediate financial status.

- **Debt/Asset** — This is a measure of who "owns" the company. A high debt/asset ratio means that most of the assets of the business are financed by borrowed funds. The ratio is helpful in determining if a company is going into debt too fast or if it will experience high interest payments in the future. A debt/asset ratio greater than one means that the actual net worth of the company is negative.

- Formula = $\frac{\text{Total debt}}{\text{Total assets}}$

ACTIVITY RATIOS

- **Inventory turnover** — This ratio provides information on how fast the company is moving inventory from purchase to sale. A low inventory turnover means that the company could possibly save money by lowering inventory levels.

  Formula:

$$\frac{\text{Sales}}{\text{Average inventory at cost}}$$

OR

$$\frac{\text{Cost of goods sold}}{\text{Average inventory at cost}}$$

NOTE: The formula used is a matter of preference. It is important to use the same formula from period to period.

PROFITABILITY RATIOS

- **Profit Margin on Sales** — This ratio provides information on the amount of money per dollar sales that can be applied to operating expense. A company with a high profit margin will be better able to meet expenses, yet a drop in sales will mean a huge drop in profit. Sales fluctuations for a business with a low profit margin will not affect profit as much (cost of goods sold will also drop), yet will have to maintain a higher volume of sales in order to cover operating expenses.

- Formula: $\frac{\text{Net profit before taxes}}{\text{Sales}}$

- **Return on Investment** — This ratio provides the owner(s) with an idea of how much their money in the company is making them. A low return on investment means the company, even if profitable, is not making them much per dollar invested. If the return on investment falls to the point where the owner(s) could make more money elsewhere, withdrawal or liquidation becomes a viable option. For example, if the prevailing interest rate on investments is 8% in a particular financial market involving equal risk, and the firm has a return on investment of 5, an owner might make more money in the short run by selling and investing in the market.

Formula: $\frac{\text{Net profit before taxes}}{\text{Owner's equity}}$

- **Days receivable** — Average number of days customers take to pay business.

  Formula: $\frac{\text{Receivable} \times 360}{\text{Sales}}$

- **Days Inventory** — Average worth of inventory on hand.

  Formula: $\frac{\text{Inventory} \times 360}{\text{COGS}}$

- **Days Payable** — Average number of days business is taking to pay suppliers.

  Formula: $\frac{\text{Payables} \times 360}{\text{COGS}}$

- **Days Accrual** — Average accrual

  Formula: $\frac{\text{Accruals} \times 360}{\text{COGS}}$

- **Operating Cycle** — Average number of days in which cash is tied up in operations of business before it returns as cash with a profit attached.

  Formula: Days receivable
  + Days Inventory
  - Days Payable
  - Days Accrual

THE FORM OF THE INCOME STATEMENT

Name of Company
INCOME STATEMENT
For the period ending (date)

Revenue		
Gross Sales	____	
Returns	____	
Allowances	____	
Net Sales	____	
Cost of Goods Sold		
Beginning Inventory	____	
Add: Purchases	____	
Less: Ending Inventory	____	
Total Cost of Goods Sold	____	
Gross Margin		____
Operating Expenses		
Administrative		
Salaries and Wages	____	
Rent	____	
Utilities	____	
Building Depreciation	____	
Furniture and Fixtures Depreciation	____	
Legal and Accounting Services	____	
Total Administrative Expenses	____	
Selling		
Sales Salaries and Commissions	____	
Vehicle Depreciation	____	
Advertising	____	
Total Selling Expenses	____	
Total Operating Expenses		____
Net Income before taxes		____
Less: Taxes		____
Net Income		____

ABC COMPANY
INCOME STATEMENT
JANUARY 1989

	MONTH		YEAR TO DATE	
	DOLLARS	PERCENT	DOLLARS	PERCENT
INCOME				
Sales	$4,700.00		$4,700.00	
Other Income	0.00		0.00	
Total Income	$4,700.00	100.00%	$4,700.00	100.00%
EXPENSES				
Merchandise	$2,200.00	46.81%	$2,200.00	46.81%
Rent	500.00	10.64%	$ 500.00	10.64%
Utilities	550.00	11.70%	$ 550.00	11.70%
Wages	800.00	17.02%	$ 800.00	17.02%
Payroll Taxes	84.88	1.81%	$ 84.88	1.81%
Insurance	75.00	1.60%	$ 75.00	1.60%
Office Supplies	50.00	1.06%	$ 50.00	1.06%
Interest	150.00	3.19%	$ 150.00	3.19%
Travel	35.00	0.74%	$ 35.00	0.74%
Misc.	125.00	2.66%	$ 125.00	2.66%
Total Expenses	$4,569.88	97.23%	$4,569.88	97.23%
Net Income	$ 130.12	2.77%	$ 130.12	2.77%

A SAMPLE INCOME STATEMENT

Bob's Shoe Store
INCOME STATEMENT
For the period ending June 30, 1990

Revenue		
Gross Sales	$95,000	
Returns	400	
Allowances	100	
Net Sales	$94,500	
Cost of Goods Sold		
Beginning Inventory	$ 1,500	
Add: Purchases	20,000	
Less: Ending Inventory	1,000	
Total Cost of Goods Sold	$20,500	
Gross Margin		$74,000
Operating Expenses		
Administrative		
Salaries and Wages	$15,000	
Rent	10,000	
Utilities	9,000	
Building Depreciation	750	
Furniture and Fixtures Depreciation	200	
Legal and Accounting Services	100	
Total Administrative Expenses	$35,050	
Selling		
Sales Salaries and Commissions	$12,000	
Vehicle Depreciation	800	
Advertising	1,200	
Total Selling Expenses	$14,000	
Total Operating Expenses		$49,050
Net Income before taxes		24,950
Less: Taxes		5,000
Net Income		$19,950

THE FORM OF THE BALANCE SHEET

Name of Company
BALANCE SHEET
As of (date)

ASSETS		
Current Assets		
Cash	____	
Accounts Receivable	____	
Inventory	____	
Short term Investments	____	
Total		____
Fixed Assets		
Vehicles	____	
Accumulated Depreciation	____	
Book Value	____	
Building	____	
Accumulated Depreciation	____	
Book Value	____	
Furniture and Fixtures	____	
Accumulated Depreciation	____	
Book Value	____	
Land	____	
Total Fixed Assets		____
Total Assets		____

LIABILITIES		
Current Liabilities		
Accounts Payable	____	
Notes Payable	____	
Taxes Payable	____	
Wages Payable	____	
Total	____	
Long-Term Liabilities		
Mortgage Payable	____	
Bonds Payable	____	
Total	____	
Total Liabilities		____
Equity		
Beginning Balance	____	
Add: Net Income	____	
Less: Withdrawals	____	
Ending Balance		____
Total Liabilities and Owner's Equity		____

A SAMPLE BALANCE SHEET

Bob's Shoe Store
BALANCE SHEET
As of June 30, 1990

ASSETS			LIABILITIES		
Current Assets			Current Liabilities		
Cash	$ 300		Accounts Payable	$ 100	
Accounts Receivable	350		Notes Payable	1,000	
Inventory	1,000		Taxes Payable	500	
Short-term Investments	100		Wages Payable	300	
Total		$ 1,750	Total		$ 1,900
Fixed Assets			Long-Term Liabilities		
Vehicles	$ 2,000		Mortgage Payable	$30,000	
Accumulated Depreciation	700		Bonds Payable	1,000	
Book Value	$ 1,300		Total	$31,000	
			Total Liabilities		$32,900
Building	$90,000				
Accumulated Depreciation	40,000		Equity		
Book Value	$50,000		Beginning Balance	$31,200	
			Add: Net Income	19,950	
Furniture and Fixtures	$ 5,000		Less: Withdrawals	20,000	
Accumulated Depreciation	4,000				
Book Value	$ 1,000		Ending Balance		$31,150
Land	$10,000				
Total Fixed Assets		$62,300			
Total Assets		$64,050	Total Liabilities and Owner's Equity		$64,050

Key Ratios
(Liquidity Ratios)

Liquidity Ratios — Indicates ease of turning assets into cash.

Quick- or Acid-test ratio — indicates ability to meet current liabilities immediately; quick assets are near cash items.

$$\text{Quick ratio} = \frac{\text{Near cash items}}{\text{Current liabilities}} \qquad \text{Norm: } 1{:}1$$

Current ratio — measures the actual liquidity of the business.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}} \qquad \text{Norm: } 2{:}1$$

Working capital — important measure of current financial position and cash flow; not strictly a ratio.

Working capital = Current assets - Current liabilities

Key Ratios
(Leverage Ratio)

Leverage Ratio — Indicates extent of debt financing.

Debt to worth of Debt/Equity ratio — shows the relationship between total assets and total liabilities.

$$\text{Debt/Asset} = \frac{\text{Total debt}}{\text{Total assets}}$$

Norm: 1:1

563

Key Ratios
(Activity Ratios)

Activity Ratios — Inventory turnover or Stock turn — shows average number of times an item is replaced on the shelf during a year.

$$\frac{\text{Sales}}{\text{Average inventory at cost}}$$

Norm: 4x
(Varies according to industry)

Stock turn =

$$\frac{\text{Cost of goods sold}}{\text{Average inventory at cost}}$$

Key Ratios
(Profitability Ratios)

Profitability Ratios

$$\text{Profit margin on sales} = \frac{\text{Net profit after taxes}}{\text{Sales}}$$ Norm: 5%

$$\text{Return on net worth} = \frac{\text{Net profit after taxes}}{\text{Net Worth}}$$ Norm: 15%

$$\text{Return on investment} = \frac{\text{Net income}}{\text{Owner's (stockholder's) equity}}$$

UNDERSTANDING AND USING FINANCIAL STATEMENTS

NAME ______________________________

OBJECTIVE 12 **Calculate key ratios.**

INTRODUCTION Key ratios can help you understand where your business stands right now and where it's heading. Is it strong and stable? What are the weaknesses and how dangerous are they to the life and health of your operation? But before you can begin using and interpreting key ratios, you have to know how to calculate them and get a good understanding of how they are formulated.

DIRECTIONS Use the financial statements in Supplements 3 and 5 to supply the figures for finding the key ratios below. Show your work.

1. Quick Ratio ______
2. Current Ratio ______
3. Debt/Asset ______
4. Sales/Average Inventory Cost ______
5. Profit Margin on Sales ______
6. Return on Investment ______
7. Days Receivable ______
8. Days Inventory ______
9. Days Payable ______
10. Days Accrual ______
11. Operating Cycle ______

UNDERSTANDING AND USING FINANCIAL STATEMENTS

NAME ______________________________

OBJECTIVE 13 **Use financial statements to determine the status of a business.**

INTRODUCTION It is surprising how much information can be extracted from a business's financial statements. Much like a doctor listens to a heartbeat to determine a patient's health, financial statements provide us with information about the business's financial health. Analyzing financial statements can be tricky. This activity sheet will help you learn the art of financial analysis.

DIRECTIONS Using the financial statements provided, calculate all the key ratios and determine the business's financial strength by filling in the worksheet.

Company A
INCOME STATEMENT
For the period ending Dec. 31, 1997

Revenue		
Gross Sales	$95,000	
Returns	400	
Allowances	100	
Net Sales	$94,500	
Cost of Goods Sold		
Beginning Inventory	$ 5,000	
Add: Purchases	30,000	
Less: Ending Inventory	1,000	
Total Cost of Goods Sold	$34,000	
Gross Margin		$60,500
Operating Expenses		
Administrative		
Salaries and Wages	$20,000	
Rent	10,000	
Utilities	9,000	
Building Depreciation	750	
Furniture and Fixtures Depreciation	200	
Legal and Accounting Services	100	
Total Administrative Expenses	$40,050	
Selling Expenses		
Sales Salaries & Commissions	$12,000	
Vehicle Depreciation	800	
Advertising	1,200	
Total Selling Expenses	$14,000	
Total Operating Expenses		$54,050
Net Income before taxes		6,450
Less: Taxes		1,600
Net Income		$ 4,850

Company A
BALANCE SHEET
As of Dec. 31, 1997

ASSETS			LIABILITIES		
Current Assets			Current Liabilities		
Cash	$ 1,300		Accounts Payable	$ 100	
Accounts Receivable	350		Notes Payable	1,000	
Inventory	1000		Taxes Payable	500	
Short-term Investments	100		Wages Payable	300	
Total		$ 2,750	Total		$ 1,900
Fixed Assets			Long-Term Liabilities		
Vehicles	2,000		Mortgage Payable	$20,000	
Accumulated Depreciation	700		Bonds Payable	1,000	
Book Value	$ 1,300		Total	$21,000	
			Total Liabilities		$22,900
Building	$90,000				
Accumulated Depreciation	40,000		Equity		
Book Value	$50,000		Beginning Balance	$39,300	
			Add: Net Income	4,850	
			Less: Withdrawals	2,000	
Furniture and Fixtures	5,000				
Accumulated Depreciation	4,000		Ending Balance		$42,150
Book Value	1,000				
Land	$10,000				
Total Fixed Assets		$62,300			
Total Assets		$65,050	Total Liabilities and Owner's Equity		$65,050

WORKSHEET FOR FINANCIAL ANALYSIS

1. Acid Test =

   Information provided:

   ____

   ____

2. Current Ratio =

   Information provided:

   ____

   ____

3. Working Capital =

   Information provided:

   ____

   ____

4. Debt/Asset Ratio =

   Information provided:

   ____

   ____

5. Inventory Turnover (use either method) =

   Information provided:

   ____

   ____

570

6. Profit Margin on Sales =

Information provided:

7. Return on Investment =

Information provided:

ACTIVITY ANSWERS

UNDERSTANDING AND USING FINANCIAL STATEMENTS

XIII

ACTIVITY SHEET 1

1. Quick Ratio = (300+350+100)/1900
   = 750/1900 = .39
2. Current Ratio = 1750/1900 = .92
3. Debt/Asset = 32900/64050 = .51
4. Sales/Average Inventory Cost
   = 94500/1000 = 94.5
5. Profit Margin on Sales = 26%
6. Return on Investment
   = 19950/64050 = 31%
7. Days Receivable
   = (350x360)/94500 = 1.3
8. Days Inventory
   = (1000x360)/20500 = 17.5
9. Days Payable
   = (100x360)/20500 = 1.75
10. Days Accrual
    = (500+300x360)/20500 = 14

ACTIVITY SHEET 2

1. Quick or acid test ratio = 1300/1900 = .68
   This is a rather low ratio. The business would be hard pressed if some current assets are not converted into cash when current liabilities become due.

2. Current ratio = 2750/1900 = 1.45
   This ratio shows that, given normal collection, current assets will more than cover current liabilities.

3. Working capital = $2,750-1,900 = $850
   This means that the business has excess current assets of 850 per period to work with. The results here are similar to #2.

4. Debt/asset ratio = 22900/65050 = 35.2%
   Almost two-thirds of the business's assets are owned by the business. This means that interest payments will be relatively low.

5. Inventory turnover = 95000/3000 = 31.67 (sales method) or 34000/3000 = 11.33 (cost method) Both these ratios show that the business is selling inventory very quickly. Since the inventory level has dropped from 5000 to 1000, the owner may want to increase inventory levels since it is turning over so fast and current levels are very low.

6. Profit margin on sales = 6450/94500 = .068 This means that for every dollar of sales, 6.8 cents become profit. This business will probably not see a big decrease or increase in profit with a decrease or increase in sales.

7. Return on investment = 6450/42150 = 15.3% The business is earning the owner a healthy, 15.3% return on investment. Unless the owner has another very profitable opportunity, this is a great investment from the owner's standpoint.

OBJECTIVE SHEET

FORECASTING PROFITS

XIV

INTRODUCTION

It has been said that those who fail to learn from the past are doomed to repeat it. Even in business, what has happened can help us predict what may happen—and help us know how to prevent it. Forecasting and break-even analysis are methods to spot trends, identify opportunities, uncover trouble spots, and improve profits. They can prepare you for what is ahead, enabling you to make the right decisions to insure your business's growth.

UNIT OBJECTIVE

After completing this unit, the client should be able to understand and use profit and loss statements and break-even analysis to forecast business trends. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with forecasting profits.
2. List reasons why forecasting profits is essential to business success.
3. Select from a list true statements about pro forma profit and loss statements.
4. State options the business owner should consider if a loss is forecasted.
5. Discuss break-even analysis.
6. Compile an income statement forecast. (Activity Sheet 1)
7. Calculate break-even point in terms of sales dollars. (Activity Sheet 2)
8. Calculate break-even point in units to be sold. (Activity Sheet 3)

SUGGESTED ACTIVITIES

FORECASTING PROFITS XIV

PREPARATION

- Review the unit and plan your presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine the scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite bankers, loan officers, or accountants to discuss the use of forecasting and pro forma profit/loss statements.

NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover.

DELIVERY

Objective 1 Define terms associated with forecasting profits.

- Review terms to clarify confusion. Most of these terms should be well understood by the client at this point.
- Introduce the term "pro forma" by asking clients to consider other "pro forma" documents.

Objective 2 List reasons why forecasting profits is essential to business success.

- Show Small Business Administration film "Forecasting Profits."
- Show clients a variety of pro forma profit and loss statements.
- Use Supplements 1 and 2 to be sure clients understand the importance of forecasting profits. Use these as discussion to reinforce the necessity of using them.

- Have clients brainstorm on the uses of forecasting.
- Have clients complete Activity Sheet 1.

Objectives 3 Select from a list true statements about pro forma profit and loss statements.

- Have clients discuss the options listed. Ask if they can think of any other options. Have them compare when each of these options is appropriate and when it is not.

Objective 4 State options the business owner should consider if a loss is forecasted.

- Use examples from clients to discuss what actions to take when the forecast predicts a loss.

Objective 5 Discuss break-even analysis.

- Be sure clients understand that the break-even point calculates before-tax totals and that they represent no profit.
- Work a variety of calculations on the board to insure their understanding of the process.
- Have clients complete Activity Sheets 2 and 3.

APPLICATION

Objective 6 Compile an income statement forecast.

Objective 7 Calculate break-even point in terms of sales dollars.

Objective 8 Calculate break-even point in units to be sold.

- Have clients complete Activity Sheets 1, 2, and 3.
- The goal of these activities is to provide an opportunity for clients to apply forecasting and break-even formulas to their business. If their records include these statements, use their forms. Be sure that all clients understand the operation of the forms, what the figures represent, and how to use the information in them to make informed decisions.

SUGGESTED RESOURCES

Publications

- Bank of America, Bank Investment Securities Division. *Money Market Investments and Investment Vocabulary.* Bank of America, San Francisco, n.d.
- Garrison, Ray H. *Managerial Accounting: Concepts for Planning, Control, Decision Making.* Business Publications, Inc., Plano, Texas, 1982.
- Helfert, Erich A. *Techniques of Financial Analysis.* Richard Irwin, Inc., Homewood, Illinois, 1982.
- Kline, John. *Managing the Small Business.* Richard Irwin, Inc., Homewood, Illinois, 1982.
- Porter, Sylvia. *Sylvia Porter's New Money Book for the 80's.* Avon Books, New York, 1980.
- Small Business Administration, *Asset Management.* U.S. Government Printing Office, Washington D.C., n.d.
- -----*Inventory Management-Wholesale/Retail.* U.S. Government Printing Office, Washington D.C., n.d.
- -----*Cash Flow in a Small Plant.* U.S. Government Printing Office, Washington D.C., n.d.
- -----*Sound Cash Management and Borrowing.* U.S. Government Printing Office, Washington D.C., n.d.

Organizations

Associations and Agencies:

American Management Association
135 West 50th Street
New York, NY 10020
212-586-8100

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036
212-575-6200

Association of Management Consultants
500 North Michigan Avenue
Chicago, Illinois 60611

Federal Trade Commission
Division of Credit Practices
Pennsylvania Avenue and Sixth Street, Northwest
Washington, DC 20580
202-523-3598

International Council for Small Business
3642 Lindell Boulevard
St. Louis, Missouri 63108

Office of Consumer Affairs, Room 5725
U.S. Department of Commerce
14th and Constitution Avenue, N.W.
Washington, DC 20230
202-377-5001

Small Business Administration
1441 L Street, NW
Washington, DC 20416
202-205-6530 or 800-827-5722

FORECASTING PROFITS

OBJECTIVE 1

Define terms associated with forecasting profits.

- **Break-even point** — The point at which income matches costs plus expenses
- **Break-even analysis** — A method to determine the point at which the business will earn a before-taxes profit of zero
- **Costs** — The amount paid for items to be sold
- **Equity capital** — That portion of the business capital the owner invests in the business. Equity capital may be from savings, grants, or gifts, and does not have to be repaid.
- **Fixed expenses** — Those expenses which are not affected by sales volume

  EXAMPLES: Rent, salaries, interest payments
- **Pro forma** — In advance
- **Variable expenses** — Those expenses which are affected by sales volume

  EXAMPLES: Commission, inventory expenses

OBJECTIVE 2

List reasons why forecasting profits is essential to business success. (Activity Sheet 1)

Enables the business owner to:

- Base business decisions on past results
- Use forecasts to anticipate necessary changes in operation
- Obtain capital

OBJECTIVE 3

Select from a list true statements about pro forma profit and loss statements.

- Allows business owners to "preview" estimated profits or losses

- Provides month-by-month and annual predictions of sales, costs, and expenses

  NOTE: Pro forma profit and loss statements should be adjusted quarterly to reflect new trends.

- Enables business owners to compare their goals to actual profits or losses

OBJECTIVE 4 **State options the business owner should consider if a loss is forecasted.**

- Increase business/sales volume
- Decrease expenses
- Decrease interest payments by increasing equity capital
- Raise prices

OBJECTIVE 5 **Discuss break-even analysis.** (Activity Sheets 2 and 3)

- Sales level is defined in one of two terms.
  - Dollars to be earned
  - Units to be sold
- Break-even estimates are based on three assumptions.
  - Selling price is not affected by the volume of the sale.
  - Fixed expenses are not affected by sales volume.
  - Variable expenses and sales volumes are directly proportional to one another.

CLIENT STUDY GUIDE
"FORECASTING PROFITS"

Example: ______________________

Name ______________________

Date ______________________

INCOME STATEMENT FORECAST

	MONTH	1	2	3	4	5	6
REVENUE							
1	Units Shipped	1000	1000	2000	5000	7000	10000
2	Sales	$2000	2000	4000	10000	14000	20000
EXPENSE							
3	Materials	1000	1000	2000	5000	7000	10000
4	Labor	200	200	400	1000	1400	2000
5	Overhead	50	50	50	50	100	100
6	Cost of Goods	1250	1250	2450	6050	8500	12100
7	Gross Profit	750	750	1550	3950	5500	7900
8	Salaries	1000	1000	1450	2000	2000	2000
9	Rent	400	400	400	400	400	400
10	Insurance	80	80	80	80	80	80
11	Depreciation	50	50	60	60	60	60
12	Supplies	20	-0-	-0-	-0-	-0-	-0-
13	Advertising	-0-	200	500	1000	1300	1500
14	Brochures	50	50	50	50	50	50

	MONTH	1	2	3	4	5	6
15	Interest	-0-	-0-	-0-	-0-	-0-	-0-
16	**Total Expense**	1600	1780	2540	3590	3890	4090
17	Pre-Tax Profit	<850>	<1030>	<990>	360	1610	3810
18	Income Tax	-0-	-0-	-0-	-0-	-0-	582
19	**NET PROFIT**	<850>	<1030>	<990>	360	1610	3228

SYNOPSIS OF "FORECASTING PROFITS" FACTS

1. Units Shipped:

First two months — 1000 per month
Third month — 2000 per month
Fourth month — 5000 per month
Fifth month — 7000 per month
Sixth month — 10000 per month

2. Sales:

Units — $2.00 each

3. Materials:

Units — $1.00 each

4. Labor:

Unit assembly — $ .20 each

5. Overhead: (Delivery cost between assembly and office)

First four months — $ 50 per month
Fifth and sixth months — $100 per month

6. Cost of Goods:

The sum of direct materials, direct labor and overhead

7. Gross Profit:

Difference between revenue and total direct expense

8. Salaries:

First two months — $1000 per month
Third month — 1450 per month
(additional employee — $450)
Fourth month — 2000 per month
(additional employee — $550)

9. Rent:

$400 per month

10. Insurance: (Total premium $960 divided by 12)

$80 per month

11. Depreciation:

$3000 at 5 years = $50 for first two months
600 at 5 years = $10 for (Total $60 for third through sixth month)

12. Supplies:

First month — $20 (Too small to pro-rate)

13. Advertising:

First month — zero
Second month — $200
Third month — $500
Fourth month — $1000
Fifth month — $1300
Sixth month — $1500

14. Brochures:

$300 pro-rated over 6 months — $50 per month

15. Interest:

No loans — no interest

16. Total Expenses

Sum of (8) through (15)

17. Pre-tax profit:

Gross profit less total expense

18. Income Tax:

Six months — 20 percent of income to date

19. Net Profit:

Pre-tax profit less taxes

ACTIVITY SHEET 1	**FORECASTING PROFITS**	**XIV**

Name ______________________________

OBJECTIVE 6

Compile an income statement forecast.

INTRODUCTION

Wouldn't it be nice to be able to gaze into a crystal ball and see what the future holds for your business? How much will you make? Will the business make it? Will you be rich (or at least very comfortable)?

While crystal balls may be wonderful fantasies, you can hardly take them to the bank. You can, however, analyze what your business has done over the past six months and make some predictions about what it will do. And you **can** take that to the bank.

DIRECTIONS

1. Choose the income statement forecast form that suits your business best.
2. Fill out the form completely. If your business is less than six months old, complete it for each of the months you have been in operation. If your business is more than six months old, complete it for the last six months. If you already have an income statement forecast, transfer the information to one of these forms. If you wish to consult your accountant, you may use forms he or she provides.
3. Use the instructions on the back of the following forms to complete and interpret them.

See Reverse Side for Instructions and Public Comment Information

MONTHLY CASH FLOW PROJECTION

Form Approval
OMB No 3245-0019
Expires 8-31-91

NAME OF BUSINESS	ADDRESS	OWNER	TYPE OF BUSINESS	PREPARED BY	DATE

	Pre-Start-up Position		1		2		3		4		5		6		7		8		9		10		11		12		**TOTAL** **Columns 1—12**		
YEAR MONTH																													
	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	
1. CASH ON HAND (Beginning of month)																													**1.**
2. CASH RECEIPTS (a) Cash Sales																													**2.** (a)
(b) Collections from Credit Accounts																													(b)
(c) Loan or Other Cash injection (Specify)																													(c)
3. TOTAL CASH RECEIPTS (2a + 2b + 2c = 3)																													**3.**
4. TOTAL CASH AVAILABLE (Before cash out) (1 + 3)																													**4.**
5. CASH PAID OUT (a) Purchases (Merchandise)																													**5.** (a)
(b) Gross Wages (Excludes withdrawals)																													(b)
(c) Payroll Expenses (Taxes, etc.)																													(c)
(d) Outside Services																													(d)
(e) Supplies (Office and operating)																													(e)
(f) Repairs and Maintenance																													(f)
(g) Advertising																													(g)
(h) Car, Delivery, and Travel																													(h)
(i) Accounting and Legal																													(i)
(j) Rent																													(j)
(k) Telephone																													(k)
(l) Utilities																													(l)
(m) Insurance																													(m)
(n) Taxes (Real estate, etc.)																													(n)
(o) Interest																													(o)
(p) Other Expenses (Specify each)																													(p)
______																													
______																													
(q) Miscellaneous (Unspecified)																													(q)
(r) Subtotal																													(r)
(s) Loan Principal Payment																													(s)
(t) Capital Purchases (Specify)																													(t)
(u) Other Start-up Costs																													(u)
(v) Reserve and/or Escrow (Specify)																													(v)
(w) Owner's Withdrawal																													(w)
6. TOTAL CASH PAID OUT (Total 5a thru 5w)																													**6.**
7. CASH POSITION (End of month) (4 minus 6)																													**7.**
ESSENTIAL OPERATING DATA (Non-cash flow information) A Sales Volume (Dollars)																													A
B Accounts Receivable (End of month)																													B
C Bad Debt (End of month)																													C
D Inventory on Hand (End of month)																													D
E Accounts Payable (End of month)																													E
F Depreciation																													F

SBA FORM 1100 (1-83) REF SOP 60 10 Previous Editions Are Obsolete

ACTIVITY SHEET 1 - SBM
XIV - 17

GUIDELINES

GENERAL

Definition: A cash flow projection is a forecast of cash funds* a business anticipates receiving, on the one hand, and disbursing, on the other hand, throughout the course of a given span of time, and the anticipated cash position at specific times during the period being projected.

Objective: The purpose of preparing a cash flow projection is to determine deficiencies or excesses in cash from that necessary to operate the business during the time for which the projection is prepared. If deficiencies are revealed in the cash flow, financial plans **must** be altered either to provide more cash by, for example, more equity capital, loans, or increased selling prices of products, or to reduce expenditures including inventory, or allow less credit sales until a proper cash flow balance is obtained. If excesses of cash are revealed, it might indicate excessive borrowing or idle money that could be "put to work." The objective is to **finally** develop a plan which, if followed, will provide a well managed flow of cash.

The Form: The cash flow projection form provides a systematic method of recording estimates of cash receipts and expenditures, which can be compared with actual receipts and expenditures as they become known—hence the two columns, Estimate and Actual. The entries listed on the form will not necessarily apply to every business, and some entries may not be included which would be pertinent to specific businesses. It is suggested, therefore, that the form be adapted to the particular business for which the projection is being made, with appropriate changes in the entries as may be required. Before the cash flow projection can be completed and pricing structure established, it is necessary to know or to estimate various important factors of the business, for example: What are the direct costs of the product or services **per unit?** What are the monthly or yearly costs of the operation? What is the sales price per unit of the product or service? Determine that the pricing structure provides this business with reasonable breakeven goals (including a reasonable net profit) when conservative sales goals are met. What are the available sources of cash, other than income from sales; for example, loans, equity capital, rent, or other sources?

Procedure: Most of the entries for the form are self explanatory; however, the following suggestions are offered to simplify the procedure:

(A) Suggest even dollars be used rather than showing cents.

(B) If this is a new business, or an existing business undergoing significant changes or alterations, the cash flow part of the column marked "Pre-start-up Position" should be completed. (Fill in appropriate blanks only.) Costs involved here are, for example, rent, telephone, and utilities deposits before the business is actually open. Other items might be equipment purchases, alterations, the owner's cash injection, and cash from loans received before actual operations begin.

(C) Next fill in the pre-start-up position of the essential operating data (non-cash flow information), where applicable.

(D) Complete the form using the suggestions in the partial form below for each entry.

CHECKING

In order to insure that the figures are properly calculated and balanced, they must be checked. Several methods may be used, but the following four checks are suggested as a minimum:

CHECK #1: Item #1 (Beginning Cash on Hand—1st Month) plus Item #3 (Total Cash Receipts — Total Column) minus Item #6 (Total Cash Paid Out—Total Column) should be equal to Item #7 (Cash Position at End of 12th Month).

CHECK #2: Item A (Sales Volume—Total Column) plus Item B (Accounts Receivable—Pre-start-up Position) minus Item 2(a) (Cash Sales—Total Column) minus Item 2(b) (Accounts Receivable Collection—Total Column) minus Item C (Bad Debt—Total Column) should be equal to Item B (Accounts Receivable at End of 12th Month).

CHECK #3: The horizontal total of Item #6 (Total Cash Paid Out) is equal to the vertical total of all items under Item #5 (5(a) through 5(w)) in the total column at the right of the form.

CHECK #4: The horizontal total of Item #3 (Total Cash Receipts) is equal to the vertical total of all items under #2 (2(a) through 2(c)) in the total column at the right of the form.

ANALYZE the correlation between the cash flow and the projected profit during the period in question. The estimated profit is the **difference** between the estimated change in assets and the estimated change in liabilities before such things as any owner withdrawal, appreciation of assets, change in investments, etc. (The change may be positive or negative.) This can be obtained as follows:

The **change in assets** before owner's withdrawal, appreciation of assets, change in investments, etc., can be computed by adding the following:

(1) Item #7 (Cash Position—End of Last Month) minus Item #1 (Cash on Hand at the Beginning of the First Month).

(2) Item #5 (t) (Capital Purchases—Total Column) minus Item F (depreciation—Total Column).

(3) Item B. (Accounts Receivable—End of 12th Month) minus Item B (Accounts Receivable—Pre-start-up Position).

(4) Item D. (Inventory on Hand—End of 12th Month) minus Item D (Inventory on Hand—Pre-start-up Position).

(5) Item #5 (w) (Owner's withdrawal—Total Column) or dividends, minus such things as an increase in investment.

(6) Item #5 (v) (Reserve and/or Escrow—Total Column).

The **change in liabilities** (before items noted in "change in assets") can be computed by adding the following:

(1) Item 2(c) (Loans—Total Column) minus 5(s) (Loan Principal Payment—Total Column).

(2) Item E (Accounts Payable—End of 12th Month) minus E (Accounts Payable—Pre-start-up Position).

ANALYSIS

A. The cash position at the end of each month should be adequate to meet the cash requirements for the following month. If too little cash, then additional cash will have to be injected or cash paid out must be reduced. If there is too much cash on hand, the money is not working for your business.

B. The cash flow projection, the profit and loss projection, the breakeven analysis, and good cost control information are tools which, if used properly, will be useful in making decisions that can increase profits to insure success.

C. The projection becomes more useful when the estimated information can be compared with actual information as it develops. It is important to follow through and complete the actual columns as the information becomes available. Utilize the cash flow projection to assist in setting new goals and planning operations for more profit.

Please Note: Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Chief, Administrative Information Branch, William A. Cline, Room 200 U.S. Small Business Administration, 1441 L St., NW Washington, DC 20416; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

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* Cash funds, for the purpose of this projection, are defined as cash, checks, or money order, paid out or received.

1. CASH ON HAND (Beginning of month)	Cash on hand same as (7), Cash Position Previous Month
2. CASH RECEIPTS (a) Cash Sales	All cash sales. Omit credit sales unless cash is actually received
(b) Collections from Credit Accounts	Amount to be expected from all credit accounts
(c) Loan or Other Cash injection	Indicate here all cash injections not shown in 2(a) or 2(b) above See "A" of "Analysis"
3. TOTAL CASH RECEIPTS (2a + 2b + 2c = 3)	Self explanatory
4. TOTAL CASH AVAILABLE (Before cash out) (1 + 3)	Self explanatory
5. CASH PAID OUT (a) Purchases (Merchandise)	Merchandise for resale or for use in product (paid for in current month)
(b) Gross Wages (Excludes withdrawals)	Base pay plus overtime (if any)
(c) Payroll Expenses (Taxes, etc)	Include paid vacations, paid sick leave, health insurance, unemployment insurance, etc (this might be 10 to 15% OF 5(b)
(d) Outside Services	This could include outside labor and/or material for specialized or overflow work, including subcontracting
(e) Supplies (Office and operating)	Items purchased for use in the business (not for resale)
(f) Repairs and Maintenance	Include periodic large expenditures such as painting or decorating
(g) Advertising	This amount should be adequate to maintain sales volume – include telephone book yellow page cost
(h) Car, Delivery, and Travel	If personal car is used, charge in this column – include parking
(i) Accounting and Legal	Outside services, including, for example, bookkeeping
(j) Rent	Real estate only (See 5(p) for other rentals)
(k) Telephone	Self explanatory
(l) Utilities	Water, heat, light, and/or power
(m) Insurance	Coverages on business property and products e g fire, liability; also workman's compensation, fidelity, etc Exclude "executive life (include in "5W")
(n) Taxes (Real estate, etc)	Plus inventory tax – sales tax – excise tax, if applicable
(o) Interest	Remember to add interest on loan as it is injected (See 2(c) above)
(p) Other Expenses (Specify each)	Unexpected expenditures may be included here as a safety factor
	Equipment expenses during the month should be included here (Non capital equipment)
	When equipment is rented or leased, record payments here
(q) Miscellaneous (Unspecified)	Small expenditures for which separate accounts would not be practical
(r) Subtotal	This subtotal indicates cash out for operating costs
(s) Loan Principal Payment	Include payment on all loans, including vehicle and equipment purchases on time payment
(t) Capital Purchases (Specify)	Non expensed (depreciable) expenditures such as equipment, building, vehicle purchases, and leasehold improvements
(u) Other Start-up Costs	Expenses incurred prior to first month projection and paid for after the "start up" position
(v) Reserve and/or Escrow (Specify)	Example: insurance, tax, or equipment escrow to reduce impact of large periodic payments
(w) Owner's Withdrawal	Should include payment for such things as owner's income tax, social security, health insurance, "executive" life insurance premiums, etc
6. TOTAL CASH PAID OUT (Total 5a thru 5w)	Self explanatory
7. CASH POSITION (End of month) (4 minus 6)	Enter this amount in (1) Cash on Hand following month – See "A" of "Analysis"
ESSENTIAL OPERATING DATA (Non cash flow information)	This is basic information necessary for proper planning and for proper cash flow projection In conjunction with this data, the cash flow can be evolved and shown in the above form
A Sales Volume (Dollars)	This is a very important figure and should be estimated carefully, taking into account size of facility and employee output as well as realistic anticipated sales (Actual sales performed – not orders received)
B Accounts Receivable (End of month)	Previous unpaid credit sales plus current month's credit sales, less amounts received current month (deduct "C" below)
C Bad Debt (End of month)	Bad debts should be subtracted from (B) in the month anticipated
D Inventory on Hand (End of month)	Last month's inventory plus merchandise received and/or manufactured current month minus amount sold current month
E Accounts Payable (End of month)	Previous month's payable plus current month's payable minus amount paid during month
F Depreciation	Established by your accountant, or value of all your equipment divided by useful life (in months) as allowed by Internal Revenue Service

SBA FORM 1100 (1-83)

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SBA

OPERATING PLAN FORECAST

U.S. Small Business Administration in Cooperation with The National Business Association

National Business Association
15280 Addison Road Dallas, Texas 75248 1-800-456-0440

A non-profit association dedicated to helping America's businesses grow

OPERATING PLAN FORECAST (Profit and Loss Projection)

Name of Business

For Period Ending

		Month 1			Month 2			Month 3			Month 4			Month 5			Month 6			Month 7			Month 8			Month 9			Month 10			Month 11			Month 12			Totals			
Revenue (sales)	Ind %	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	%	Actual	%
Total Revenue (sales)																																									
Cost of Sales																																									
Total Cost of Sales																																									
Gross Profit																																									
Expenses																																									
Salary expense: Sales people, office and other																																									
Payroll Expenses (taxes, etc.)																																									
Outside Services																																									
Supplies (office and operating)																																									
Repairs and Maintenance																																									
Advertising																																									
Car, Delivery and Travel																																									
Accounting and Legal																																									
Rent																																									
Telephone																																									
Utilities																																									
Insurance																																									
Taxes (real estate, etc.)																																									
Interest																																									
Depreciation																																									
Other Expenses (specify each)																																									
Miscellaneous (unspecified)																																									
Total Expenses																																									
Net Profit																																									

OPERATING PLAN FORECAST

In recognition of the importance of small business to a strong economy, the **National Business Association** has joined with the **U.S. Small Business Administration** (SBA) to help meet the information needs of existing business owners and aspiring entrepreneurs.

Value of this Forecast - An Operating Plan Forecast can yield multiple benefits to the small business owner-operator. First, the Forecast is a valuable business planning tool. Second, when the planning phase has been completed, the Forecast becomes a key management tool in controlling the business operations to achieve the results planned for.

As a Planning Tool - The Forecast enables the owner-manager to develop a "preview" of the amount of profit, or loss, which can be expected to be generated each month and for the business year—based on reasonable predictions of monthly levels of sales, costs, and expenses. By having a "preview" of future operations the owner-manager can compare, ahead of time, the year's expected profits or loss against the profit goals and needs established for the business. If the "results" as forecasted are not satisfactory, there is time to identify what must be done in order to achieve satisfactory results for the year.

As a Control Tool - A completed Forecast enables the owner-manager to compare the figures for the actual results, as they become known, with the estimated or "targets" projected for that month. Where the results are out of line, steps can be taken to correct undesired deviations. By being able to see quickly where the trouble is, less time and money will be lost in getting back on track towards overall profit goals.

Limitation Regarding Cash Flow - Valuable as the Forecast is both as a business planning tool and as a management tool for controlling the business, the Forecast does not provide information about cash. Profits and cash are not the same thing. In order to project the firm's future cash requirements—as well as project the amount of cash it will have available to meet those requirements—it will be necessary to complete a separate schedule specifically designed for that purpose. (See SBA Form 1100, titled "Monthly Cash Flow Projection.") However, monthly estimates of sales, costs of sales, and expenses, needed for a cash flow projection can be easily obtained from this Forecast when it is completed.

Industry Averages - In starting the estimating process it may be desirable to enter into the "Industry Percentage" column of the Forecast, the average operating percentages for your industry. These percentages may be obtained from various sources such as trade associations, accountants, or banks. Also, the reference librarian in your nearest public library can refer you to appropriate documents containing the percentage figures. Industry "averages" can serve as a useful benchmark against which to compare cost and expense estimates being developed for your firm. Later, they will be useful for comparing the firm's actual operations.

Developing the Estimates - To get the most out of an Operating Plan Forecast, estimates should be developed for each operating element (sales, costs of sales, and expenses) for each month of the firm's business year. When a firm's business cycle covers more than 12 months, or where special factors influencing the firm's activities will not properly be reflected within that period—example, long term construction contracts—the Forecast should be extended for the appropriate additional period.

Where to Begin - The work of developing the estimates can begin either with "sales" or with "expenses." Most business people find it valuable to begin by estimating expenses first. This way, the user can project break-even points, assess their reasonableness, and determine if projected sales will yield an adequate profit margin. However, if a Forecast has not been prepared previously for the firm, and unit cost information is not readily available, some will prefer to estimate the market potential first, in terms of the expected dollar amount of monthly sales. No matter which way the estimates are started, it is important to pay attention to both sales and expenses. This is done by developing a complete estimate of expenses and projecting a reasonable estimate of sales that are attainable based on the prices and marketing methods to be used.

Expenses can be estimated by unit costs. To do so, determine the cost of materials and direct labor required for each unit produced or sold. These costs are part of the "variable" expenses which include any cost that varies directly with the number of units produced/sold, such as sales commissions, packaging cost, delivery fees, etc. Depending on the number of units to be produced/sold, the resulting "variable" expense is added to the total "fixed" expenses—those that go on regardless of the volume of business (rent, tie phones, basic utilities, insurance, interest, depreciation, etc.

Based on the above, a selling price can be determined for the unit and an estimate made of the number of units that can be sold at that price. Multiplying the expected sales times the price yields dollar sales volume.

Revenue (Sales) - Look at each department of the firm. Determine the number of units of products or services you realistically expected to sell each month in each department at the prices you expect to get. Use this phase of the estimating process to review your pricing practices. Do the selected prices reflect the "best" balance between what customers will pay and the volume of sales to be attained considering the nature and type of competition? Have all potential markets been considered? What returns and markdowns can be expected? (Final sales estimates should be net of returns and markdowns.)

Cost of Sales - Estimate the cost of sales for each of the sales categories listed under Revenue (Sales). Where materials (inventory) is involved, do not overlook transportation-in cost. Include any direct labor. (Refer also to the summary information in the facsimile schedule shown at right.) Careful development of the cost of materials for each department can be used not only for this Forecast but also for calculating the firm's Monthly Cash Flow Projection. The figures also are useful as tools for controlling operations.

Evaluating the Estimates - After the estimates have been made and entries totaled, the owner-manager can compare the projected results with the profit goals for the firm. If the Forecast shows that expenses will not be covered (or even though covered, not enough profit will be left) there is time to plan for changes. For example, are services or merchandise priced too low? If costs and expenses are not out of line with predicted sales volume (compare with industry averages) attention can be given to increasing sales through new promotional efforts, or improving merchandising techniques. If interest expense, for example, is out of line, is there any excess equipment, inventory, or other business property which could be disposed of so that indebtedness and interest payments could be reduced with the proceeds?

Where the "results" of the Forecast indicate changes to be made, new estimates are calculated. A Forecast is not rigid. It is revised as often as necessary to reflect what realistically can be expected in the future.

Using the Forecast for Controlling Targets - Once operating estimates have been developed and entered on the Forecast, they can serve as definite targets for controlling business operations. As the actual operating results become known each month they are entered on the Forecast for comparison with the targets.

Evaluating Actual Results - Actual sales, cost of sales, and expense performance can be evaluated against several standards: to the targets for the month, to the operating average for the industry, to last year's performance. Where actual sales are below target, or actual costs, or expenses, are above target, the owner-manager is able to pinpoint the cause(s).

For example, if payroll has been identified as overly large in relation to total sales - is time on each job being accurately recorded? Is travel time being properly accounted for? When employee overtime is paid, has the customer been charged? If work was done on a guaranteed charge basis, does actual time on the job exceed the estimate? Are "fringe" benefits costs being omitted in the estimate? Can labor time be reduced by combining jobs or other changes? This is only one illustration of the value which this management tool can be for controlling the firm's operation.

Further Analysis - Comparative analysis using units of business activity can be of further help in gauging performance trends for better operations, control of sales, costs of sales, and expenses. Perhaps the more profitable departments of the operation suggest expansion possibilities, just as the less productive invite close review.

Calculate Percentages - Evaluating actual results will be quicker if the dollar figures are converted to percentages: (a) each sales category (department) as a percentage of total sales, (b) cost of sales for each sales category converted to a percentage of that category's sales, (c) total gross profit as a percent of total sales, (d) each expense category as a percent of total sales. An inexpensive calculator allows rapid development of percentage figures and the figures permit usable comparisons for business decisions.

The U.S. Small Business Administration's participation in this co-sponsorship does not constitute an express or implied endorsement of the co-sponsor's opinions, products or services.

OPERATING PLAN FORECAST (Profit and Loss Projection)

For Period Ending

		Month 1			Month 2			Month 3			Month	Month 11			Month 12			Totals			
Revenue (sales)	[illegible]	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Estimate	Actual	%	Estimate	Actual	%	Estimate	%	Actual	%
List here the departments within the business, for example, appliance sales & service. New appliances, used ones, parts, in shop service, on site service		In the "Estimate" columns, enter a reasonable projection of the sales to be made each month for each department of the business. Include both cash sales and on account sales. In the "Actual" columns, enter figures for actual sales for the month as they become available.										Exclude from the Revenue (Sales) section any revenue that is not strictly related to the business, for example, rental income derived from an apartment or excess space in the business property. (Correspondingly, estimates for business expenses should be net of expenses associated with the production of that non-business revenue.) Excluding "non-business" revenue from business revenue (sales) will enable a more meaningful analysis of the firm's operations and comparison with industry averages.									
Total Revenue (sales)																					
Cost of Sales		In the "Estimate" columns, enter the cost of sales estimated for each month for each department of the business. For product inventory, calculate the cost of the goods sold for each department (beginning inventory plus purchases and transportation costs during the month minus the ending inventory). Enter "Actual" costs when known each month.																			
List costs by department of the business as used for revenue (sales)																					
Total Cost of Sales		Total revenue (sales) minus total cost of sales																			
Gross Profit																					
Expenses																					
Salary expense: Sales people, office and other		Base pay plus overtime																			
Payroll Expenses (taxes, etc.)		Include paid vacations, sick leave, health insurance, unemployment insurance, social security taxes																			
Outside Services		Could include costs of subcontracts, overflow work farmed out, special or one time services																			
Supplies (office and operating)		Services and items purchased for use in the business, not for resale																			
Repairs and Maintenance		Regular maintenance & repair, including periodic large expenditures such as painting or decorating																			
Advertising		Should be sufficient to support desired sales volume. Include yellow pages expense																			
Car, Delivery and Travel		Include charges if personal car used in business. Include parking, tolls, buying trips, etc.																			
Accounting and Legal		Outside professional services																			
Rent		Real estate used in the business. List equipment & other rentals under "Other Expenses"																			
Telephone																					
Utilities		Water, heat, light, etc.																			
Insurance		Fire or liability on property or products, workmen's compensation (exclude "executive" life)																			
Taxes (real estate, etc.)		Inventory tax, sales tax, excise tax, others as applicable																			
Interest																					
Depreciation		Amortization of capital assets																			
Other Expenses (specify each)																					
(Example: Tools)		Tools "Expensed" on purchase, not set up on depreciation schedule																			
(Example: Leased Equip.)		Monthly payments for leased or rented equipment are shown here																			
Miscellaneous (unspecified)		Small expenditures for which separate accounts would not be prepared																			
Total Expenses																					
Net Profit																					

BEST COPY AVAILABLE

ACTIVITY SHEET 2	***FORECASTING PROFITS***	***XIV***

Name ____________________

OBJECTIVE 7 **Calculate break-even point in terms of sales dollars.**

INTRODUCTION How much does your business have to earn for you to stay out of debt? Your costs and other expenses must be covered, but how do you really know how much it **must** earn? In this activity, you will determine your business' break-even point in terms of sales dollars.

DIRECTIONS

1. List all expenses incurred during the past twelve months, on a piece of scrap paper, separating fixed and variable expenses and write the monthly totals below.

	Fixed	Variable
January		
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		
TOTAL		

2. List the total of all sales during the past twelve months.

____

3. Determine the percentage of sales representing variable expenses by dividing the net sales by total annual variable sales. This figure represents the amount of income needed to cover variable expenses. The remaining income is available for fixed expenses and profit.

$$\text{\% of sales representing variable expenses} = \frac{\text{net sales}}{\text{annual variable sales}}$$

4. Use the formula below:

$$\text{Sales needed to break even} = \frac{\text{Fixed expenses}}{1 - (\text{percentage from step 3})}$$

5. The answer is the amount of money, in dollars, that your business must earn in the next year to break even. How does it compare to your forecast?

ACTIVITY SHEET 3

FORECASTING PROFITS

XIV

Name ____

OBJECTIVE 8 **Calculate break-even point in units to be sold.**

INTRODUCTION In some cases, it is easier for a business owner to know what must be done if the number of sales are calculated, rather than the number of dollars that must be earned. This is also possible by using the procedure below.

NOTE: Unit can be time or product.

DIRECTIONS

1. Total sales as calculated in Activity Sheet 2, Step 2.
2. Total expenses as calculated in Activity Sheet 2, Step 1.
   Fixed____________ Variable ____________
3. List the unit sales price______.
4. Determine the Unit Variable Expense by dividing the variable expense total by the number of units sold.

   Unit Variable Expense ____________
5. Use the following formula:

$$\text{Break-even in number of unit sales} = \frac{\text{Fixed Expenses}}{\text{Unit Sales Price minus Unit Variable Expense}}$$

6. The answer is the number of sales you must make in the next year to break-even. Compare it to your forecast. How do they compare?

FORECASTING PROFITS

In all Activity Sheets, the goal is to apply the forecasting and break-even calculations to the client's business. The instructor must tailor the work to the client's needs and existing record-keeping practice. If forecasting is already done or an accountant is used, these records should be used rather than the forms included in the unit.

In evaluating the work, the instructor should check the following:

1. Are the correct figures used?
2. Is the math correct?
3. Does the client understand what these figures represent?
4. Are the conclusions made by the client appropriate, considering the figures?
5. Counsel as needed.

OBJECTIVE SHEET

CASH FLOW MANAGEMENT XV

INTRODUCTION

Small business owners are said to be jacks-of-all-trades because of the diversity needed to operate their enterprises. Owners must finance the business, market it, be a salesperson, personnel director, stock person, bookkeeper, and wear a variety of other hats. On top of all this responsibility, if the business is to succeed, they must also be able to foretell the future. This unit deals with cash flow forecasting, being able to predict how much money your company will be taking in and putting out in a given month.

UNIT OBJECTIVE

After completing this unit, the client should be familiar with the applications for inventory schedules and cash flow forecasts and should be able to prepare inventory schedules and cash flow forecasts for their own businesses. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client will be able to

1. Define terms associated with cash flow management.
2. Select from a list areas of proficiency required to maintain a successful enterprise.
3. Discuss reasons for compiling an inventory schedule. (Supplement 2)
4. Discuss reasons why cash flow forecasting is important to business owners. (Supplement 2)
5. Discuss why profit forecasting is important to the small business.
6. List where information can be found and what information is needed for forecasting.
7. Discuss similarities and differences between cash flow forecasts and income statement forecasts.
8. Discuss the benefits of keeping cash flow records.
9. Calculate a six month inventory schedule. (Activity Sheet 1)
10. Analyze your need for cash flow management. (Activity Sheet 2)

11. Calculate a cash flow forecast. (Activity Sheet 2, Supplement 3)

12. Compare the accuracy of cash flow forecasts. (Activity Sheet 4)

13. Prepare an accounts receivable forecast. (Activity Sheet 5)

14. Prepare a purchases forecast. (Activity Sheet 6)

15. Prepare an accounts payable forecast. (Activity Sheet 7)

16. Prepare a monthly cash flow projection. (Activity Sheet 8)

SUGGESTED ACTIVITIES

CASH FLOW MANAGEMENT XV

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for students to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a financial consultant or an accountant to discuss cash flow forecasting and its importance when running a successful business.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.

- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among students. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

Objective 1 **Define terms associated with cash flow management.**

- Have clients take a few minuets to review terms and then offer to answer any questions they may have about them.

Objective 2 **Select from a list areas of proficiency required to maintain a successful enterprise.**

- Briefly discuss reasons why clients need to be proficient in the areas listed.

- Have clients share their experiences in these areas.

Objective 3 Discuss reasons for compiling an inventory schedule.

- Discuss reasons for compiling an inventory schedule. Ask clients to share with the class instances where not having an inventory schedule has caused problems in their own businesses.

- Review Supplement 1 with the class then ask clients to complete Activity Sheet 1 in class if possible. Make yourself available for questions from clients.

Objective 4 Discuss reasons why cash flow forecasting is important to business owners.

- Discuss Supplement 2 with clients.

- List on the chalkboard reasons for incorporating cash flow forecasting into a business, and ask for input from clients.

  NOTE: Many small business owners have little or no experience with cash flow forecasts, how they are prepared, or how they can and should be used.

- Stress that in cash flow projections, transactions are handled differently than in profit forecasts.

- Point out that results from a cash flow forecast indicate a different perspective and situation than income statements or forecasts.

- If desired, have clients complete Activity Sheet 1.

- Ask clients to voice any questions they may have concerning cash flow forecasting.

- Show film, *The Cash Flow.*

- Discuss the film, stressing the sources of cash, how the cash was used, and the results indicated in the statement.

Objective 5 Discuss why profit forecasting is important to the small business.

- Have students discuss how and where to get the information needed for forecasting.

- Compare information that is specific to several different types of small businesses, such as fast-food store and a t-shirt shop.

- Invite a local accountant or small business owner to speak to the class about the factors in a specific industry that relate to forecasting and sound financial management practices.

Objective 6 List where information can be found and what information is needed for forecasting.

- Demonstrate the purpose of budgeting by the use of a chalkboard and pretend situation. Using a handful of mail and a figure for a starting balance for your business, open each envelope and pull out either a *bill* or a *check*. Record the items in simple *In* and *Out* columns on the chalkboard.

Objective 7 Discuss similarities and differences between cash flow forecasts and income statement forecasts.

- Use transparencies of both the cash flow forecast and the income statement forecast to illustrate for clients the differences between them.

- Use the "Forecasting Profits" Student Study Guide from Unit 14, *Forecasting Profits* to compare an income statement forecast and cash flow forecast.

Objective 8 Discuss the benefits of keeping cash flow records.

- Review uses for cash flow forecasting, ask client to contribute their thoughts.

- Discuss Supplement 2.

- Ask clients to complete Activity Sheets 3 and 4.

- After clients have completed their cash flow forecasts let them share information they have found beneficial from the forecast. Review the points made in Objective 8.

- If desired, have clients complete Activity Sheet 2.

APPLICATION

Objective 9 Calculate a six month inventory schedule.

- Use Activity Sheet 1 to let clients prepare their own inventory schedule.

- Supplement 2 should be reviewed with clients before completing Activity Sheet 2.

Objective 10 Analyze your need for cash flow management.

- Use Activity Sheet 1 to demonstrate this objective.

Objective 11 Calculate a cash flow forecast.

- Use Activity Sheet 3 to help clients understand the importance of cash flow forecasting, and to develop a cash flow forecast for their own businesses.

- Have clients begin Activity Sheet 3 in class, making yourself available for questions.

Objective 12 Compare the accuracy of cash flow forecasts.

- Use Activity Sheet 4 to let clients compare accuracy of cash flow forecasts, and to determine why some forecasts end up being more accurate than others.

- Have clients make the needed arrangements to complete Activity Sheet 4 (exchange telephone numbers, decide upon a meeting place).

Objective 13 Prepare an accounts receivable forecast.

- Using Activity Sheet 5, have clients prepare an accounts receivable forecast. Discuss how accounts receivable collections affect cash.

Objective 14 Prepare a purchases forecast.

- Ask clients to prepare a purchase forecast using Activity Sheet 6. Review equations that are to be used and answer any questions about the activity.

Objective 15 Prepare an accounts payable forecast.

- After reading through the introduction with the group, have clients prepare an accounts payable forecast using Activity Sheet 7.

Objective 16 Prepare a monthly cash flow projection.

- Discuss the effects of increasing and decreasing cash flow, then have clients use Activity Sheet 8 to prepare a monthly cash flow projection.

SUGGESTED RESOURCES

Media

- *The Cash Flow* Available from the Small Business Administration.

NOTE: These films are available to Oklahoma teachers on a free-loan basis. Oklahoma teachers may order these films from the Curriculum and Instructional Materials Center, Oklahoma Department of Vocational and Technical Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074. Out-of-State teachers must order these films from the Small Business Administration.

INFORMATION SHEET | CASH FLOW MANAGEMENT | XV

OBJECTIVE 1 **Define terms associated with cash flow management.**

- **Aging payables** — Chronological payment system of accounts payable to maximize benefits and avoid finance charges
- **Aging receivables** — A comparison between accounts that have been long outstanding and those that are current. This comparison will show which accounts will generate cash and which will not

  EXAMPLE: If an account is more than 90 days past due, it should not be counted on for revenue. The aging receivables account may signal developing cash flow problems.

- **Amortization** — Using installments to pay off a liability over a set period of time

  EXAMPLE: Mortgages are amortized by paying off part of the face value.

- **Cash flow** — A way of showing net income based on the actual movement of cash through a business, based on cash receipts minus cash disbursements

  NOTE: When applied to a corporation, a cash flow can be used instead of a net income statement to better indicate the firm's ability to meet financial obligations and pay dividends.

OBJECTIVE 2 **Select from a list areas of proficiency required to maintain a successful enterprise.**

- Planning
- Borrowing
- Investing
- Budgeting
- Purchasing

- Collecting receivables

OBJECTIVE 3

Discuss reasons for compiling an inventory schedule. (Supplement 1, Activity Sheet 1)

- Gives an estimate of amount of inventory needed.
- Estimates the amount of cash that will be needed to purchase inventory.
- Shows patterns in sales.

OBJECTIVE 4

Discuss reasons why cash flow forecasting is important to business owners. (Supplement 2, Activity Sheet 2)

- Enables business owners to plan when cash will be received or paid out.
- Shortfalls can be seen ahead of time instead of taking a business by surprise.
- Schedules for payments and purchases can be created to insure the least amount of borrowing possible.

OBJECTIVE 5

Discuss why profit forecasting is important to the small business.

A certain amount of financial projection is necessary day to day and in the long term forecasting required in successful business operations.

- Cash flow management depends on actual receipts and disbursements. The smooth operation of the business and management of cash flow depend on accurate profit forecasts. A skilled owner learns to forecast these projections accurately so as to minimize cash flow problems.

  NOTE: Skill in profit forecasting, as in any forecasting, comes through experience. Mistakes in projecting financial matters are to be expected by the new business owner, although accuracy is the goal.

- Forecasting of profits is a key part of financial management in a business. Cash flow management and the smooth operation of the business depend on accurate profit forecasts.

- Break-even analysis (discussed in a later unit), a vital review of financial factors in business, depends on the accurate forecasting of profit.

OBJECTIVE 6

List where information can be found and what information is needed for forecasting.

- Previous financial statements
  - Prior sales trends and levels
  - Previous gross percentages
  - Sales volume related expenses from previous averages of general administrative and selling expenses
  - Company's past trends in borrowing
- Data specific to the company
  - Operation capacity of facility
  - Competition
  - Constraints of finances
  - Personnel
- Factors industry-wide
  - State of the economy
  - Business status in the economy
  - Growth of the population

OBJECTIVE 7

Discuss similarities and differences between cash flow forecasts and income statement forecasts.

Similarities

- Both need basically the same information to be completed.
- Both deal with the flow of cash within a business.
- Both deal with the future and are estimates.

Differences

- A cash flow forecast shows only how much cash will be needed to run a business over a six month period. It does not show profit or loss.
- Income statement forecasts include depreciation, cash flow statements do not.
- An income statement forecast's primary objective is to show a business' future profit or loss.
- An income statement contains only the interest portion of a note, whereas a cash flow statement shows both principle and interest portions of a payment.

OBJECTIVE 8

Discuss the benefits of keeping cash flow records. (Activity Sheets 2, 3, and 4)

- A sound budget is easily maintained
- Costs can be controlled
- A positive cash flow can be maintained. The business must have enough cash at all times to operate profitably. Cash flow problems can arise when projections about business activities are inaccurate regarding receipts or disbursements.

  NOTE: Cash flow shortages, for example, can be due to differences in accounts receivable and accounts payable. A line of credit can be prearranged for projected cash flow shortages for the duration of the shortage.

COMPILING AN INVENTORY SCHEDULE

The equation used to figure an inventory schedule is:

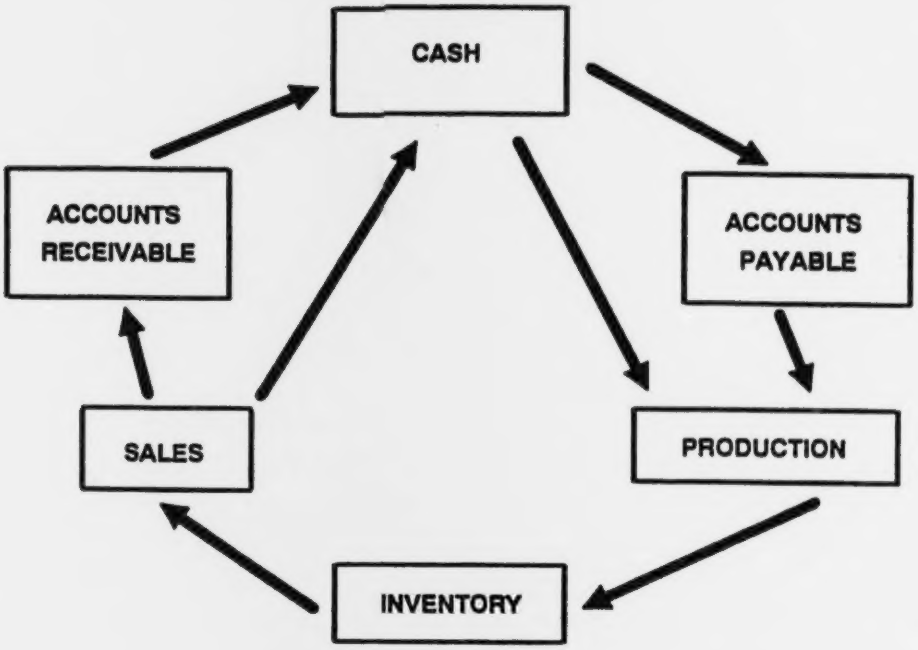
Inventory sold - Beginning inventory + Ending inventory = Amount needed

The information gained from this forecast is needed to complete the cash flow forecast. The figure "Amount to purchase" should be recorded on the line labeled "Purchase of Inventory" on your cash flow forecast.

The following information is used to complete the inventory schedule. Estimated sales for months 1 - 7 are 2600, 3200, 4000, 4800, 5000, and 5100 respectively. Cost of inventory is one half estimated sales. Ending inventory should be one half the estimated inventory sold for the following month.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Estimated inventory sold	1300	1600	2000	2400	2450	2500
(-)Beginning inventory	650	800	1000	1200	1225	1250
(+)Ending inventory	800	1000	1200	1225	1250	1275
(=)Amount to purchase	1450	1800	2200	2425	2475	2525

CASH FLOW FORECASTING CYCLE



CASH CYCLE

In any business there is a continual cycle of events which may increase or decrease the cash balance. The diagram above is used to illustrate this flow of cash.

Cash is decreased in the acquisition of materials and services to produce finished goods. It is reduced in paying off the amounts owed to suppliers; that is, accounts payable. Then, inventory is sold and these sales generate cash and accounts receivable; that is, money owed from customers. When customers pay, accounts receivable is reduced and the cash account increases. However, the cash flows are not necessarily related to the sales in that period because customers may pay in the next period.

The cash flow statements is an analysis of the cash receipts and disbursements.

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CALCULATING A CASH FLOW FORECAST

Business owners need the skills to forecast for their own businesses. When you have some idea of future finances, important decisions can be made with confidence.

Use figures from your completed income statement forecast in Unit 10, and your inventory schedule from this unit to figure your cash flow forecast.

When compiling a six-month cash flow forecast, be sure to remember in which months money will be going out and coming in. For instance, if your business deals primarily with cash sales, they will be posted in the month that they occur. When purchases are charged, they must be considered as income when balances will be paid, and then posted in their appropriate months.

Remember that even though you may have ordered inventory or supplies in one month, payment may not be expected until another.

The information from Supplement 1 and below is used to fill in the cash flow forecast. 80% of sales are collected in the month of the sale, 20% in the following month. Month 0 had $2500 in sales. Labor and rent are $1000 per month each. Insurance of $100 is due in months 2 and 5. Advertising costs are $10 per month. Supplies cost $30 per month. The company has a loan payment of $50 per month. Finally, the company's beginning cash balance is $3000.

SIX MONTH CASH FLOW FORECAST

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
RECEIPTS						
Current month sales	2380	2860	3500	4140	4220	4300
Past month sales	500	520	640	800	960	980
Total	2880	3380	4140	4940	5180	5280
DISBURSEMENTS						
Labor	1000	1000	1000	1000	1000	1000
Purchase of inventory	1450	1800	2200	2425	2475	2525
Rent	1000	1000	1000	1000	1000	1000
Insurance	0	100	0	0	100	0
Advertising	110	110	110	110	110	110
Loan payments	250	250	250	250	250	250
Misc. supplies	30	30	30	30	30	30
Total disbursements	3840	4196	4590	4815	4965	4915
CASH FLOW	<960>	<916>	<450>	125	215	365
Starting balance	3300	2340	1424	974	1099	1314
Ending balance	2340	1424	974	1099	1314	1679

CASH FLOW MANAGEMENT

OBJECTIVE 9 **Calculate a six month inventory schedule.**

INTRODUCTION Inventory schedules are needed to help decide the amount of inventory that should be purchased. They are also needed to complete an accurate cash flow forecast, and show patterns in sales. This activity enables you to complete an inventory schedule of your own.

DIRECTIONS Use your business as a model to complete an inventory schedule for six months. Supplement 2 can be used as an example of a completed inventory schedule.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Amount of sales						
(-) Beginning inventory						
(+) Ending inventory						
(=) Amount to purchase						

ACTIVITY SHEET 2

CASH FLOW MANAGEMENT

XV

OBJECTIVE 10 **Analyze your need for cash flow management.**

INTRODUCTION The ability to manage cash flow can determine the success of a small business. When a working budget is created, a tremendous amount of stress can be lifted from the day-to-day operations. This activity is designed to help identify reasons your business needs cash flow management.

DIRECTIONS Pair off with another class member and ask each other the following questions, making sure to take note of the answers.

1. Does your business currently have a working budget? If the answer is yes, how was it derived? If the answer is no, how do you manage your cash?

2. In what ways do you think your business is deficient when it comes to cash flow management? Do you think a regular forecast would help? Why or why not?

ACTIVITY SHEET 3 — CASH FLOW MANAGEMENT

OBJECTIVE 11

Calculate a cash flow forecast.

INTRODUCTION

Knowing how much cash a company will need to operate on a month-to-month basis is vital to its success. Having a sound cash flow forecast on hand helps with budgeting funds, controlling costs, and maintaining a positive cash flow. This exercise lets you figure a six-month cash flow forecast for your own company, and shows you why it is so important to do so.

DIRECTIONS

PART 1

List three or more areas in which your business will benefit from cash flow forecasting.

1. ______________________________
   ____
2. ______________________________
   ____
3. ______________________________
   ____

DIRECTIONS

PART 2

Complete the cash flow forecast form on the following page using your own business as a model. Figures from your completed income statement forecast and your inventory schedule should help you complete this forecast. Refer to Supplement 1 for an example of a completed cash flow forecast.

ACTIVITY SHEET 4

CASH FLOW MANAGEMENT

OBJECTIVE 12

Compare the accuracy of cash flow forecasts.

INTRODUCTION

Practice makes perfect. Use the comparison chart on the next page to check the accuracy of your first three cash flow forecasts. As you get better at forecasting and more comfortable with the processes of forecasting and analysis, you will be rewarded with greater accuracy.

NOTE: At the end of the three-month period, you may want to get together with a small group from your class, decide on a restaurant where the group can meet, and compare forecasts with actual cash flow. The business owner whose forecast was closest to his actual cash flow will have his lunch paid for by the others. Discuss reasons why the winner's cash flow forecast was the most accurate.

DIRECTIONS

After you have completed your cash flow forecast transfer the first three months of figures to the "Forecasted" columns on the following form. Over the next three months fill in the "Actual" columns with figures compiled from actually running your business. Take note of areas that seem to have the greatest amount of error. This part of the assignment enables you to think of ways to improve your forecasting in the future.

THREE MONTH COMPARISON FORECAST

	Month 1 Forecasted	Month 2 Actual	Month 3 Forecasted	Month 4 Actual	Month 5 Forecasted	Month 6 Actual
RECEIPTS						
Current month sales						
Past month sales						
Total						
DISBURSEMENTS						
Labor						
Purchase of inventory						
Rent						
Insurance						
Advertising						
Loan payments						
Misc. supplies						
Total disbursements						
CASH FLOW						
Starting balance						
Ending balance						

ACTIVITY SHEET 5

CASH FLOW MANAGEMENT

XV

OBJECTIVE 13 **Prepare an accounts receivable forecast.**

INTRODUCTION Cash forecasting elements must be placed in meaningful manageable categories.

We must first understand how accounts receivable collections affect cash.

We know that 50 percent of our sales are cash sales, and 50 percent of our sales are current sales. Of the charge sales 60 percent are received in 30 days, 20 percent are received in 60 days and 20 percent are received in 90 days.

EXAMPLE:	Jan.	Feb.	Mar.	Apr.
January Sales $5,000	2,500 (50%)	1,500 (60%)	500 (20%)	500 (20%)
	Cash sales		Charge sales	

Use these figures for the year's sales:

January	5,000
February	6,000
March	7,000
April	8,000
May	12,000
June	7,000
July	6,000
August	6,000
September	10,000
October	9,000
November	8,000
December	10,000
	94,000

DIRECTIONS Prepare the accounts receivable forecast using the above information and figures. Use the ledger sheet on the next page to work the problem.

What percent of this year's sales are collected in this year?

ACCOUNTS RECEIVABLE FORECASTING LEDGER SHEET

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
January Sales													
February Sales													
March Sales													
April Sales													
May Sales													
June Sales													
July Sales													
August Sales													
Sept. Sales													
October Sales													
November Sales													
December Sales													
TOTAL													

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ACTIVITY SHEET 6

CASH FLOW MANAGEMENT

XV

OBJECTIVE 14

Prepare a purchases forecast.

INTRODUCTION

Forecasting purchases is necessary for managing inventory and forecasting the accounts-payable needs of a business.

Use these figures for the year's sales:

January	5,000
February	6,000
March	7,000
April	8,000
May	12,000
June	7,000
July	6,000
August	6,000
September	10,000
October	9,000
November	8,000
December	10,000
	94,000

For this problem, we may assume that the figure for cost of sales equals 50 percent of sales. We may also assume that the inventory level is equal to 2 months supply.

The following equations will be needed:

Beginning Inventory + Purchases - Cost of Sales = Ending Inventory

Ending Inventory + Cost of Sales - Beginning Inventory = Purchases

DIRECTIONS

Using the above sales figures, the inventory levels per month and cost of sales per month have been calculated for you on the Purchase Forecast ledger on the next page. Using this data, determine the purchases per month, and fill in the figures on the ledger sheet.

Which were more, purchases or cost of sales? ____________________

PURCHASES FORECAST LEDGER SHEET

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
Inventory Level (end)	6500	7500	10000	9500	6500	6000	8000	9500	8500	9000	10000	10000	
Cost of Sales	2500	3000	3500	4000	6000	3500	3000	3000	5000	4500	4000	5000	47000
Ending inventory													
+ cost of sales													
- beginning inventory	6000												
= purchases													

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ACTIVITY SHEET 7

CASH FLOW MANAGEMENT

XV

OBJECTIVE 15

Prepare an accounts payable forecast.

INTRODUCTION

After determining the purchasing needs that allow for maintenance of planned inventory levels, we can determine the cash needs which allow for acceptable purchase payments.

With cash needs identified, you will know how much money you need to have available for this purpose.

For this problem, payment terms are 30 days net, meaning that purchases made in one month are due the next month. If the December purchases were $3,000, what will the accounts-payable payments be month by month?

BONUS PROBLEMS

Assume you receive a 5 percent discount on 10 percent of your purchases and a 1 percent discount on 5 percent of your purchases, if you pay within 10 days and all other purchases are 30 days net. Use the $3,000 amount for December purchases and determine what the accounts payable will now be month by month.

DIRECTIONS

Use the information provided and the extra ledger sheet provided to work the problem.

ACCOUNTS PAYABLE FORECAST LEDGER SHEET

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
Purchases	3000	4000	6000	3500	3000	3000	5000	4500	4000	5000	5000	5000	51,000
Accounts Payable													
Payments													

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ACTIVITY SHEET 7 - SBM
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BONUS PROBLEM LEDGER SHEET

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
Purchases	3000	4000	6000	3500	3000	3000	5000	4500	4000	5000	5000	5000	51,000
Accounts Payable													
Payments													

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ACTIVITY SHEET 8

CASH FLOW MANAGEMENT

OBJECTIVE 16

Prepare a monthly cash flow projection.

INTRODUCTION

A cycle of increasing and decreasing cash flow is apparent in any business. Cash decreases as goods or services are acquired and cash increases as sales are made or accounts receivable are received.

Assume you are owner of an ongoing business, you have a bank balance of $10,000 at the end of December of this year and you have $10,000 cash on hand at the beginning of January.

Refer to your ledger sheet from AS 1-Accounts Receivable Forecast. Use the cash sales and collections to solve for Cash Receipts.

Figure the following:

Cash on Hand

Cash Receipts

Cash Paid Out

NOTE: These percentages are for this exercise only and do not reflect current values.

A. Purchases: Use the solution from the Accounts payable Forecast.

B. Gross Wages: Assume you have the following employees:

Jeff: $800 per month
Pam: $200 per month (part time)

C. Payroll expenses: As an employer you will have the following percentage to apply to your monthly payroll:

NOTE: The decimal figure .0715 is equal to 7.15%. Decimal figures are converted to percentage by moving the decimal point two places to the right.

Employer FICA	.0715 (on the first $42,000 of wages)
OESC	.031 (on the first $8,900 of wages)
Fed Unemployment	.008 (on the first $7,000 of wages)
Total	.1105 (or 11.05% of wages)

D. Outside services: You pay a consultant $100 in February.

E. Supplies: You spend $50 per month.

F. Repairs and maintenance: You painted the office in March at a cost of $100.

G. Advertising: Your yellow pages ad is $250 per month.

H. Car, delivery, travel: Since you have some delivery charges, this should average 2 percent of sales.

I. Accounting and legal: Your account charges you $75.00 per month to run your Profit and Loss and Balance Sheet.

J. Rent: You pay $500 per month.

K. Telephone: You bill averages $60 per month.

L. Utilities: You are on the averaging program and your electric, gas and water average $130 per month.

M. Insurance: You pay your business insurance once a year and it is due in January. The cost is $470 per year.

N. Taxes: Your personal property taxes on your inventory are approximately $200 per year. You paid half of them in December, 1985, and the other half is due March 1.

Your sales taxes are 6.25 percent of sales. Since your sales figure includes sales tax, you have to divide sales by .0625 and subtract the figure you get from the total sales to see what the sales tax amount is; then use a round number.

January Sales $5,000	Sales $4,705	Tax $295
February Sales $6,000	Sales $5,647	Tax $353
March Sales $7,000	Sales $6,588	Tax $412

Use these figures for the year's sales:

January	5,000
February	6,000
March	7,000
April	8,000
May	12,000
June	7,000
July	6,000
August	6,000
September	10,000
October	9,000
November	8,000
December	10,000
	94,000

O. Interest: You have a $10,000 loan at the bank on which you are paying monthly interest at 12.75 percent which is approximately $106 per month.

P. Other expenses: Assume these are $100 per month.

Q. Loan principle payment: Your principal payment at the bank is $275 per month.

R. Capital purchases: You plan to build some shelving in March at a cost of $750.

S. Owner's withdrawal: You need $1,000 per month as your draw.

DIRECTIONS

Use the information and the work sheet provided to complete the cash flow projection.

Answer these questions:

A. If the Profit and Loss Statement only show a loss of $483, why did cash go from $10,000 to ($1,258) in just three short months?

B. What are some ideas on ways to improve your cash position other than injecting capital and borrowing money from a bank?

MONTHLY CASH FLOW FORECAST

NAME OF BUSINESS	ADDRESS		OWNER
YEAR MONTH	JAN 1	FEB. 2	MARCH 3
1. CASH ON HAND (Beginning of month)			
2. CASH RECEIPTS			
(a) Cash Sales			
(b) Collections from Credit Accounts			
(c) Loan or Other Cash Injection (Specify)			
3. TOTAL CASH RECEIPTS (2a + 2b + 2c = 3)			
4. TOTAL CASH RECEIPTS (Before cash out) (1+3)			
5. CASH PAID OUT			
(a) Purchases (Merchandise) A/P Payments			
(b) Gross Wages (Excludes withdrawals)			
(c) Payroll Expenses (Taxes, etc.)			
(d) Outside Services			
(e) Supplies (Office and operating)			
(f) Repairs and Maintenance			
(g) Advertising			
(h) Car, Delivery, and Travel			
(i) Accounting and Legal			
(j) Rent			
(k) Telephone			
(l) Utilities			
(m) Insurance			
(n) Taxes (Real estate, etc.)			
(o) Interest			

NAME OF BUSINESS	ADDRESS		OWNER
YEAR MONTH	JAN 1	FEB. 2	MARCH 3
(p) Other Expenses (Specify each)			
(q) Miscellaneous (Unspecified)			
(r) Subtotal			
(s) Loan Principal Payment			
(t) Capital Purchases (specify)			
(u) Other Start-up Costs			
(v) Reserve and/or Escrow (Specify)			
(w) Owner's Withdrawal			
6. TOTAL CASH PAID OUT (Total 5a thru 5w)			
7. CASH POSITION (End of month) (4 minus 6)			
ESSENTIAL OPERATING DATA (Non-cash flow information) A. Sales Volume (Dollars)			
B. Accounts Receivable (end of month)			
C. Bad Debts (End of month)			
D. Inventory on Hand (End of Month)			
E. Accounts Payable (End of Month)			
F. Depreciation			

ACTIVITY ANSWERS — CASH FLOW MANAGEMENT XV

ACTIVITY SHEET 1	Look over clients inventory schedule, identifying any problem areas.
ACTIVITY SHEET 2	Check clients' responses. Discuss areas that you or the client perceive as deficiencies.
ACTIVITY SHEET 3	Check to see that clients understand the benefits of cash flow forecasting. Make sure their forecasts do not contain any serious errors. Make desired comments on the back of the forecast.
ACTIVITY SHEET 4	Check comparisons and suggest ways in which clients can improve their forecasting accuracy.

ACTIVITY SHEET 5

ACCOUNTS RECEIVABLE FORECAST

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Jan. Sales	2500	1500	500	500									5000
Feb. Sales		3000	1800	600	600								6000
Mar. Sales			3500	2100	700	700							7000
Apr. Sales				4000	2400	800	800						8000
May Sales					6000	3600	1200	1200					12000
June Sales						3500	2100	700	700				7000

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
July Sales							3000	1800	600	600			6000
Aug. Sales								3000	1800	600	600		6000
Sept. Sales									5000	3000	1000	1000	10000
Oct. Sales										4500	2700	900	8100
Nov. Sales											4000	2400	6400
Dec. Sales												5000	5000
TOTAL	2500	4500	5800	7200	9700	8600	7100	6700	8100	8700	8300	9300	86500

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**ACTIVITY
SHEET 6**

PURCHASES FORECAST

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Inventory Level (end)	6500	7500	10000	9500	6500	6000	8000	9500	8500	9000	10000	10000	
Cost of sales	2500	3000	3500	4000	6000	3500	3000	3000	5000	4500	4000	5000	47000
Ending inventory	6500	7500	10000	9500	6500	6000	8000	9500	8500	9000	10000	10000	10000
+ cost of sales	2500	3000	3500	4000	6000	3500	3000	3000	5000	4500	4000	5000	47000
- beg. inventory	6000	6500	7500	10000	9500	6500	6000	8000	9500	8500	9000	10000	6000
= purchases	3000	4000	6000	3500	3000	3000	5000	4500	4000	5000	5000	5000	51000

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**ACTIVITY
SHEET 7**

ACCOUNTS PAYABLE FORECAST

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Purchases	3000	4000	6000	3500	3000	3000	5000	4500	4000	5000	5000	5000	51000
Accounts Payable Payments	3000	3000	4000	6000	3500	3000	3000	5000	4500	4000	5000	5000	49000

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ACTIVITY SHEET 8 Monthly Cash Flow Projection

NAME OF BUSINESS Norman Retail	ADDRESS 100 Main Street		OWNER John Doe
YEAR 1988 MONTH	JAN 1	FEB. 2	MARCH 3
1. CASH ON HAND (Beginning of month)	10000	4929	2150
2. CASH RECEIPTS	2500	3000	3500
(a) Cash Sales	-0-	1500	2300
(b) Collections from Credit Accounts			
(c) Loan or Other Cash Injection (Specify)	2500	4500	5800
3. TOTAL CASH RECEIPTS (2a + 2b + 2c = 3)	12500	9429	7950
4. TOTAL CASH RECEIPTS (Before cash out) (1+3)	3000	3000	4000
5. CASH PAID OUT			
(a) Purchases (Merchandise) A/P Payments	3000	3000	4000
(b) Gross Wages (Excludes withdrawals)	1000	1000	1000
(c) Payroll Expenses (Taxes, etc.)	110	110	110
(d) Outside Services	-0-	100	-0-
(e) Supplies (Office and operating)	50	50	50
(f) Repairs and Maintenance	-0-	-0-	100
(g) Advertising	300	300	300
(h) Car, Delivery, and Travel	100	120	140
(i) Accounting and Legal	75	75	75
(j) Rent	500	500	500
(k) Telephone	60	60	60
(l) Utilities	130	130	130
(m) Insurance	470	-0-	-0-

NAME OF BUSINESS Norman Retail	ADDRESS 100 Main Street		OWNER John Doe
YEAR 1988 MONTH	JAN 1	FEB. 2	MARCH 3
(n) Taxes (Real estate, etc.)	295	353	512
(o) Interest	106	106	106
(p) Other Expenses (Specify each)	100	100	100
(q) Miscellaneous (Unspecified)			
(r) Subtotal	6298	6004	7183
(s) Loan Principal Payment	275	275	275
(t) Capital Purchases (specify)	-0-	-0-	750
(u) Other Start-up Costs			
(v) Reserve and/or Escrow (Specify)			
(w) Owner's Withdrawal	1000	1000	1000
6. TOTAL CASH PAID OUT (Total 5a thru 5w)	7571	7279	9208
7. CASH POSITION (End of month) (4 minus 6)	4929	2150	(1258)
ESSENTIAL OPERATING DATA (Non-cash flow information) A. Sales Volume (Dollars)			
B. Accounts Receivable (end of month)			
C. Bad Debts (End of month)			
D. Inventory on Hand (End of Month)			
E. Accounts Payable (End of Month)			
F. Depreciation			

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OBJECTIVE SHEET

LEGAL ASPECTS AND RISK MANAGEMENT

XVI

INTRODUCTION

Opening a small business is a dream that millions of people share. They often spend a great deal of time and money to make their dreams a reality. Hundreds of hours of planning and forethought must go into the beginning stages of a business. This unit deals with two of the most important decisions to be made—the form of business ownership and how much insurance to buy. Owners of a small business must be able to decide the areas in which they will transfer risk (what types and how much insurance) or in areas in which they will assume risk (no insurance). When an improper decision is made in either of these situations a business may be sunk before it ever leaves port.

UNIT OBJECTIVE

After completing this unit, the client should be able to identify and discuss various forms of business organizations and understand the legalities that accompany them. The small business owner will be able to choose between different types of policies and know when to consult an attorney. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with legal aspects and risk management.
2. Discuss legal issues pertaining to small businesses.
3. Discuss common forms of business ownership.
4. List issues that require an attorney's consultation. (Supplement 2)
5. Define contractual terms. (Supplement 3)
6. Describe the most common types of contracts.
7. Describe the five essential components of a contract.
8. Define common terms used in insurance policies.
9. Distinguish between essential and optional types of insurance for small businesses.

10. Discuss employee benefit coverage.

11. List the important items an insurance agent should provide.

12. List considerations pertaining to a complete insurance program.

13. Discuss the need for Incorporation. (Activity Sheet 1)

14. Determine types of insurance needed. (Activity Sheet 2)

15. Evaluate insurance needs for your business. (Activity Sheet 3)

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.

  1. *IRS Tax Guide For Small Business*
  2. *Insurance Checklist For Small Business*

  Order from Small Business Administration. Management Aids Number 2.018.

- Invite an attorney and an insurance representative to speak to the class. Have the professionals give specific examples concerning legal representation and insurance issues.

  NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover. Also provide a class profile indicating number of men and women, numbers and sizes of retail, manufacturing, and services businesses, and any additional information that would be useful for the speaker and the topic.

- Obtain several samples of contracts for clients to identify the terms and parts and use for general class discussion.
- A horseshoe-shaped seating arrangement is recommended. This will encourage interaction among clients. If possible, make each of the three sections equal in size to facilitate dividing the group into teams.

DELIVERY

Objective 1 Define terms associated with legal aspects and risk management.

- Ask clients to review terms associated with unit and then voice questions and discuss terms that are not understood clearly.

Objective 2 Discuss legal issues pertaining to small businesses.

- Review list with class and answer any questions.
- Ask clients to share examples of formal litigation.

Objective 3 Discuss common forms of business ownership.

- Arrange the group in a semi-circle and discuss the chart at length with clients, using businesses in your community as examples. (Supplement 1)
- Ask clients to get into groups of 3 or 4 and complete Activity Sheet 1.

Objective 4 List issues that require an attorney's consultation. (Supplement 2)

- Stress the importance of legal consultation.
- Invite an attorney to discuss common legal problems for small business owners.

Objective 5 Define contractual terms. (Supplement 3)

- Review terms with group and ask clients to contribute examples that apply to each term.

Objectives 6 & 7 Describe the most common types of contracts and describe the five essential components of a contract.

- Use a copy of a contract to illustrate to clients each component listed.
- Divide clients into groups and have them make up hypothetical and possibly humorous, written, verbal and\or implied contracts.

Objective 8 Define common terms used in insurance policies.

- Share with clients your knowledge and experience with insurance claims and litigation.
- Ask clients to review terms pertaining to the unit and insurance policies then have them voice questions about terms that are not clearly understood.
- Ask for examples of burglary, fraud, robbery, embezzlement and internal theft.

Objective 9 Distinguish between essential and optional types of insurance for small businesses. (Supplement 4)

- Discuss with clients reasons why some coverage is essential and others optional.
- Have students complete Activity Sheet 2.

Objective 10 Discuss employee benefit coverage.

- Stress that good employee benefits will instill loyalty and a sense of commitment in a working team.

Objectives 11 & 12 List the important items an insurance agent should provide and list considerations pertaining to a complete insurance program.

- Assign completion of Activity Sheet 3 before the next session.
- Invite an insurance agent to class.

Objective 13 Discuss the need for Incorporation

- Have clients discuss the benefits of being incorporated.
- Use Activity Sheet 1 to determine the need for incorporating a business.

APPLICATION

Objectives 14 & 15 Determine types of insurance needed and evaluate insurance needs for your business.

- Have clients determine their own insurance needs using Activity Sheets 2 & 3. Address questions clients may have about current coverage.

SUGGESTED RESOURCES

Media

- "Legal Forms of Business Enterprise" (filmstrip)

  Southwestern Publishing Company
  2105 McDaniel Drive
  Carrollton, TX 75006
  1-800-457-8080

- "Insurance Needs For a Small Business" (Videotape)

  Altschul Group
  Beacon Films
  930 Pinter Ave.
  Evanston, IL 60202
  1-708-328-6700
  FAX 1-708-328-6706

UNIT REFERENCES

- *Business Law and Risk Protection: Don't Operate Illegally and Unknowingly, Small Business Management Training Instructors Guide* - Number 107; U. S. Small Business Administration, Office of Management Assistance, 1984.

- *Choosing a Form of Organization for Small Businesses;* Presenter's Guide Series #2003; U.S. Small Business Administration, Government Printing Office, 1979.

- *Program for Acquiring Competence in Entrepreneurship, Revised,* Unit 5 - Choosing the type of Ownership; Unit 9 - Dealing with Legal Issues; and Unit 18 - Protecting the Business; the National Center for Research in Vocational Education, 1983.

INFORMATION SHEET

LEGAL ASPECTS AND RISK MANAGEMENT *XVI*

OBJECTIVE 1

Define terms associated with legal aspects and risk management.

- **Embezzlement** — Occurs when a employee who is trusted with appropriating funds, fraudulently takes them for personal use
- **Fraud** — An act in which one party intentionally misleads another
- **Legality** — Contract terms that can be enforced by law
- **Liability** — The responsibility owners have for incidents occurring on their property or resulting from use of their products or equipment

OBJECTIVE 2

Discuss legal issues pertaining to small businesses.

- **Form of organization** — Type of business ownership; sole proprietorship, partnership, corporation of S Corporation.
- **Estates and wills** — Business owners must plan ahead for unexpected occurrences such as death. If a will or estate plan are left unattended, the end result could be devastating to family, friends, and creditors.
- **Purchase agreements** — Ensure consistency and reliability when dealing with a vendor

  NOTE: Make certain these agreements take into account any uncertain events or circumstances that might occur.
- **Insurance contracts** — State the amount of insurance coverage held by a business; these contracts are legally binding.
- **Sales contracts** — State rights of both consumer and business as they relate to a purchase of goods or services

  NOTE: Make certain these agreements take into account any uncertain events or circumstances that may affect the agreement.

- **Leases** — State terms associated with the rental of property from another party
- **Taxes** — Amount of money owed by a business to the government; amount depends upon gross income, type of business, and form of business ownership
- **Real estate** — Property, land, and buildings
- **Franchises** — A type of business that requires the purchase of rights from the originator of the enterprise

  EXAMPLE: All McDonald's stores are owned independently but use of the name and product lines must be purchased from the McDonald's Corporation.

- **Agreements and general contracts** — Relate to concrete decisions made between two or more parties; usually relate to the purchase of goods or services and are legally binding
- **Delinquent accounts** — Accounts that are severely past due; these accounts may be collected on using legal channels or collection agencies.
- **Formal litigations** — Action taken against a given party that results in courtroom activity; decisions made during formal litigation are enforceable by law.

OBJECTIVE 3 **Discuss common forms of business ownership.** (Supplement 1 and Activity Sheet 1)

	Sole Proprietorship	Partnership	Corporation	S Corporation
Characteristics	Owned by one person who has sole control over all business dealings.	Owned by two or more individuals who operate the business collectively. **NOTE:** Limited Partnerships allow the owners to have limited liability.	Owned by stockholders and must be approved by a government agency.	Have no more than 35 shareholders and are usually close-knit organizations often operated by family members who also run the business

	Sole Proprietorship	Partnership	Corporation	S Corporation
Advantages	Few governmental restrictions, making it easy to start. Complete control by owner. Some tax advantages.	More capital and credit can be generated. A greater number of ideas can surface. More collective experience.	A stockholder's liability is limited. The corporation remains stable when stock changes hands. Capital is easily raised by selling more stock.	Enables a small business to avoid corporate income tax, yet obtain legal rights if a corporation.
Disadvantages	Great amount of liability involved. All capital comes from personal assets. One owner has limited viewpoints and experience. Hard to establish needed credit.	Conflict often arises between partners. Withdrawal, bankruptcy, or death of one partner will create unrest within the partnership.	The power and involvement of a shareholder is limited. More government restrictions apply. Costly to start.	Governmental restrictions apply and legal costs are high.
Personal liability considerations	Any assets owned by a sole proprietor can be taken by creditors. **NOTE:** Under most circumstances, a home cannot be sold if the business owner and spouse share ownership of the residence since a spouse cannot be held responsible for debts incurred by the business owner.	All personal assets of partners are fair game for creditors. Even if an agreement states losses will be split equally, the owner with more assets stands to lose more.	Creditors cannot seize assets of shareholders. Owners are often forced to sign personally for materials and supplies, making the signer personally liable.	When a business takes the form of an S Corporation, liability of owners is limited.

	Sole Proprietorship	Partnership	Corporation	S Corporation
Tax considerations	Entire net income is taxable to the individual owner. Tax rates are determined by the owners' income bracket. Some personal deductions can be made on gross income.	Taxed similarly to sole proprietorships. Net incomes are split into percentages owned by each partner. **NOTE:** Check the most current *IRS Tax Guide for Small Business* to get up-to-date information on Limited Partnerships.	Taxed at graduating rates. Corporate officer's salaries are deductible, greatly reducing taxable profit.	Taxed as if it were a sole proprietorship or partnership but is legally a corporation. **NOTE:** Check the most current *IRS Tax Guide for Small Business* to get up-to-date information on S Corporations. **NOTE:** Liability insurance is vital for small business corporations. Without it, managers and corporate officers can be held liable for losses and dealings within the corporation. **NOTE:** Many businesses start as Sole Proprietorships and with time, success, and expansion change to form either a partnership or small corporation.

OBJECTIVE 4 **List issues that require an attorney's consultation.**
(Supplement 2)

NOTE: A small business owner should always consult an attorney whenever there is even a slight chance that legal services are needed.

- When contracts and leases are being drawn up or signed.
- Any time a change of ownership might take place.

OBJECTIVE 5 **Define contractual terms.**

- **Acceptance** — Occurs when a party agrees to an offer made by another party
- **Contract** — An agreement between two parties that states what each involved party will provide and conditions surrounding the provisions
- **Cooling-off period** — Any sale made in the home that exceeds $25 can be canceled within three business days.
- **Lease** — A contract in which the lessee uses the lessor's property for a specified period of time
- **Offer** — A proposal by one party to enter a contract with another
- **Reasonable definiteness** — Terms of a contract are clear enough to show both parties understood them

OBJECTIVE 6 **Describe the most common types of contract.**

- **Oral** — An agreement made verbally
- **Written** — An agreement stated in a written document
- **Implied** — If a customer buys a new vacuum cleaner, the implied contract is that it will work.

OBJECTIVE 7 **Describe the five essential components of a contract.**
(Supplement 3)

- **Agreement** — An agreement occurs when an offer is made by one party and given acceptance by another. The offer and acceptance create a fairly concrete understanding between the two parties involved.

- **Consideration** — Value given by each party in a contract

  EXAMPLE: If one party agrees to a certain rate of payment for a service rendered by another, then the rate of payment is the consideration for one party, and the service rendered is the consideration for the other party.

- **Contractual capacity** — The ability to agree to a contract

  EXAMPLE: A person must be over 16 years of age and of sound mind to legally agree to a contract. There are many other elements to contractual capacity, and if any of them are broken then a contract can be considered null and void.

- **Legality of purpose** — Contracts must be legal in their objective in order to be enforceable.

- **Reality of consent** — The contract must be correct in all aspects to be legally binding. There can be no reality of consent when a contract contains mistakes, innocent misrepresentation or fraud.

OBJECTIVE 8 **Define common terms used in insurance policies.**

- **Act of God** — An event that is direct, inescapable, unforseen, and, if foreseen, unstoppable

  EXAMPLES: Tornado, hurricane, or earthquake.

- **Actual Cash Value** — Type of insurance policy that only pays the actual value of insured property less depreciation; when losses occur under this policy, property usually cannot be replaced without additional financial resources.

- **Adjuster** — An investigator and negotiator of insured losses

- **Adjustment** — A change in the actual cash value of an item due to complications in an insurance claim

  EXAMPLE: If items were stolen from an establishment that was accidentally left unlocked by an employee or owner, then the insurance company may not pay the full claim.

- **Agent** — A person who works independently and on commission for an insurance company

- **Appraiser** — Person who estimates the market value of an insured loss

- **Beneficiary** — A person or organization designated to receive an insurance claim

- **Burglary** — Breaking into property with the intent to steal

- **Casualty insurance** — Insurance that covers all liability except life, marine, or health

- **Claim** — Amount of money the insurance company is requested to pay due to an insured loss

- **Co-insurance** — Legal requirement that makes certain all property is insured to at least 80 percent of its value; if a property is insured for less than 80 percent of its worth, the insurance company is not required to pay in the event of a loss

- **Damages** — A claim resulting from a loss

- **Effective date** — The date when an insurance policy begins coverage

- **Extended coverage** — An agreement that lengthens the time period of insurance coverage

- **Fleet policy** — A blanket policy that covers all vehicles or property rather than individual policies for each

- **Floater policy** — A policy that extends coverage to any location the insured property is located

  EXAMPLE: Trucks, barges, trains, construction trailers, on-site equipment.

- **Insurance** — The transfer of risk from one party to another

- **Insurance policy** — A contract between two parties in which one assumes the risk of the other

- **Insured** — The party in an insurance policy who transfers risk to the other
- **Insurer** — The party in an insurance policy who assumes the risk of the other
- **Internal theft** — Theft of business property by employees
- **Premium** — The money paid by the insured for an insurance policy

  NOTE: Most companies permit monthly, quarterly, semi-annual or annual premium payments.

- **Proof of loss** — The claim by the insured party in writing against the insurer
- **Property insurance** — Protection against losses arising from damage or theft of personal goods, inventory, real estate, buildings, inventory
- **Replacement cost insurance** — Type of insurance policy that will pay for the actual replacement cost of property including depreciation; this type of insurance is more expensive than actual cash value policies but gives a business owner better coverage in the event of loss
- **Rider** — An addition to a contract that widens the insured party's coverage

  EXAMPLE: A fire insurance policy may have a rider that protects against hail.

- **Robbery** — Violent theft of another's property
- **Vendor theft** — Theft of property by deliverers

OBJECTIVE 9 **Distinguish between essential and optional types of insurance for small businesses.** (Activity Sheet 2)

Essential Coverage

- **Liability insurance** — A contract that transfers the insured party's liability to the insurer; covers damages incurred by negligence and accident.

EXAMPLE: Liability insurance protects businesses from financial hardship incurred by accidents taking place on an owner's property, such as a customer slipping on ice.

- **Fire insurance** — Insurance that covers losses due to accidental fire.
- **Fire and extended coverage** — Insurance that covers loss from fire, wind, hail, explosion, vandalism, civil disturbances and theft; this type of coverage is required by law in most states.
- **Worker's compensation insurance** — Worker's compensation protects employee's from lost wages due to personal injury on the job; required by law.

  NOTE: Worker's compensation insurance is mandatory in most states.
- **Automobile insurance** — Protects the insured against potential loss due to automobile accidents; required by law.

Optional Coverage

- **Business interruption insurance** — Insurance that protects a business from losses resulting from an unpredictable cease of business activity.
- **Rent insurance** — Insurance that enables a business owner to pay rent in the event that the business can no longer generate revenue due to fire or other insurable causes.
- **Crime insurance** — Protects insured party from losses resulting from criminal activity.
- **Glass insurance** — Protects all glass signs, showcases, doors and windows; also includes replacement of lettering and art work on glass.

OBJECTIVE 10 **Discuss employee benefit coverage.**

- **Disability** — Income restitution to an employee who has suffered a disabling injury, whether on the job or not; this differs from worker's compensation since it covers the employee indefinitely.

- **Group Life Insurance** — An insurance policy that protects all employees from losses due to death; this insurance is paid to the employee's beneficiaries. It is less expensive than individual life insurance since the insurance company can spread costs over more people. The employer often pays all or part of the premium.
- **Group Health Insurance** — An insurance policy that protects all employees and their dependents from losses due to health problems; it is less expensive than individual health insurance since the insurance company can spread costs over more people. The employer pays all or part of the premium.
- **Retirement Benefits** — A policy that guarantees the employee a specified amount of money upon retirement; the employer pays part or all of the premium.
- **Key-man insurance** — An insurance policy that the company obtains in order to protect itself against the death of an important employee

OBJECTIVE 11 **List the important items an insurance agent should provide.**

- A variety of possible insurance alternatives
- A willingness to simplify complex procedures
- Assistance when processing claims
- Evaluation of client operations
- Individual coverage in special circumstances
- Loss prevention consultation
- Advice regarding the Occupational Safety and Health Act (OSHA)
- Advice regarding the Environmental Protection Act (EPA)
- An annual review of the client's insurance needs

OBJECTIVE 12

List considerations pertaining to a complete insurance program. (Supplement 4 and Activity Sheet 3)

- Identify possible risks involved
- Identify possible preventive measures that minimize risk
- Insure against catastrophic losses
- Do not insure against affordable losses

Weigh risks against costs

- Use prevention and deductibles to reduce premiums
- Change insurance coverage to meet changing business needs
- Use professional advice when making insurance decisions

CORPORATE TAXATION

Corporations are taxed at graduating rates that start at 16 percent on the first $25,000 of income and rise to 46 percent of income over $100,000. Corporate officers' salaries are deductible, greatly reducing taxable profit. Check current IRS rates.

Excessively high salaries of officers may be considered dividends by the IRS, this will lead to double taxation. Not only will the money be taxed as profit, it will be taxed as personal income as well.

S Corporations enable small business owners to obtain legal rights as a corporation, but are taxed like a proprietorship or partnership. In order to qualify as an S Corporation, there can be no more than 35 shareholders and all of them must be individuals, estates or trusts. They must also be resident aliens or U.S. citizens. Only common stock can be sold.

CONSIDERATIONS AND COST FOR HIRING AN ATTORNEY

The attorney should be competent and familiar with the subject needing representation. One of the best ways to find a good attorney for a small business is to get recommendations from other small business owners.

NOTE: Be sure the attorney is a member of the County Bar Association.

Legal representation is costly, but also necessary. Attorneys usually charge an agreed-upon flat rate to be paid before the services are rendered or on an hourly basis.

Hourly rates are common when dealing with leases, contracts, and form-of-ownership changes. These hourly rates apply to telephone calls made on the client's behalf by the attorney, any legal documents that are drawn up, and all phone calls made to the attorney by the client.

CONSIDER:

- Availability
  - Choose an attorney close to your residence and/or business establishment.
  - A junior partner in a firm may be more available (and less expensive) than a senior member. If a case is not overly complicated, a junior member may be preferable.
- Ease of communication
  - Interview several attorneys to find one you feel comfortable talking with.
- Fees
  - Ask about fee schedules, hourly rates, and financial arrangements before conducting business. You may be billed for phone calls and questions.

Articles of Agreement

Articles of Agreement,

Between Nancy Henderson, who resides at
1434 West Seventh Street
Atlanta, Georgia

of the first part,

and Phyllis Jackson, who resides at
937 Peach Leaf Lane
Atlanta, Georgia *of the second part.*

The part of the first part, in consideration of

Two Thousand Dollars ($2,000.00)

covenants and agrees to

Sell to the party of the second part a 1986 black Ford automobile. Party of the first part will transfer to the party of the second part the certificate of title and any other documents necessary to effectuate a complete transfer of title from party of the first part to the party of the second part. Consideration

The party of the second part, in consideration of complete transfer of title of the 1986 black Ford automobile from the party of the first part to the party of the second part. Agreement

covenants and agrees

to tender payment of Two Thousand Dollars ($2,000.00) to the party of the first part. The tender shall be in the form of cash and will be due on the date of delivery of said automobile.

This instrument may not be changed orally.

In Witness Whereof, *the parties hereunto have set their hands and seals the day of in the year one thousand nine hundred and*

Sealed and delivered in the presence of ____________________

____

EVERY BUSINESS, EVERY DAY, FACES RISKS — SIX TRUE CASES

- A small retail shop in the Montreal area suffered a major fire. The premises were completely gutted and the inventory was totally destroyed. As sales had been excellent for the last six months, the inventory level had been substantially increased. Unfortunately, the fire insurance policy that the owners carried had not been adjusted to reflect the higher value of the inventory.

- The bookkeeper employed in a small manufacturing company defrauded the firm of a large amount of money and then disappeared. The company had a fire and theft policy but that wouldn't cover a theft by an employee. Only a fidelity guarantee could have compensated the manufacturer for this fraud.

- A plumbing company sent a new employee to repair a kitchen sink in a suburban bungalow. While using a welding torch under the counter, he accidentally set the wood shelves on fire. It was a small fire, but left the kitchen partially gutted and most of the house was badly damaged by smoke. The plumbing company wasn't insured for this type of accident and was taken to court.

- A retailer decided to offer a delivery service to her customers. Unable to afford a delivery truck of her own, she made arrangements with a local trucker. In the first week, when making a delivery for the retailer, the trucker severely injured a pedestrian. Not only was the trucker sued, but so was the retailer. She had never thought she would need a non-owned automobile insurance policy.

- A small but thriving construction company came close to bankruptcy when one of the three major shareholder-employees died and the widow demanded a continuation of income from the business. With the survivors having to hire a replacement for the deceased, there was no way they could afford to pay a second salary for the same job. Nor did they have the cash resources to buy out the widow, even if they could reach agreement on the value of the deceased's share of the business. The crisis could have been avoided by the early execution of a binding stock purchase and sales agreement, based upon fair market value at the time of transfer and funded by the required amount of insurance on each shareholder's life.

- A downtown employment agency had to go out of business just four months after its owner-manager was hospitalized by a highway accident. His injuries were severe enough to require a year or even more of convalescence and ruled out a return to work on even a partial basis. Meantime, business overheads continued, rent had to be paid for the office, utility bills continued and salaries had to be paid to his two office employees and a field-worker. With no saleable value or inventory of any kind, the forced sale of office furniture and equipment realized only a few hundred dollars. The owner had life insurance and a small disability income policy to replace a part of his lost earnings. However, if he had taken the business precaution of getting office overhead expense insurance, this would have paid all the regular overheads and enabled the agency to function until the owner's recovery and return to work.

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ACTIVITY SHEET 1

LEGAL ASPECTS AND RISK MANAGEMENT

XVI

NAME ______________________________

OBJECTIVE 13

Discuss the need for Incorporation

THE QUESTION OF INCORPORATION

INTRODUCTION

John Shummel and Ray Peckett joined together six years ago to open a small pro golf shop. Both had been on the amateur golf circuit for many years and decided that with their knowledge and connections could create a successful business near a popular municipal golf course. John earned a degree in accounting while playing golf in college. His friend Ray seemed much more inclined to throw the social event of the year than to study statistics, so it was agreed that John would handle the books and Ray would be responsible for marketing and public relations.

The Pro Shop, just as any new business, took a while to get off the ground. But when it did, the two were astounded by the response from local golfers. In the past, golf enthusiasts had traveled 100 miles to a large city for competitive prices and good selection.

After three years of making a considerable profit the two businessmen started to wonder if expansion was their next step. They had two alternatives, either simply make the present shop larger or build another in a neighboring town that also had a popular city golf course. In either case, they would need more capital and financing. John suggested incorporating for several reasons:

- It would enable the business to raise capital by selling stock.
- They would pay higher taxes on profits taken out as salary and the remaining profits would be taxed at a lower rate if left in the business.
- Banks would be more willing to lend money to a corporation.
- Looking ahead to retirement, John felt a pension plan would be easier to set up and more profitable under a corporation.
- If an accident were to occur in the store, John felt a corporate form would provide greater protection against personal loss.

DIRECTIONS

After you have read the information above and reviewed the chart from Objective 3, join with a small group and discuss advantages to forming a corporation. Be sure to address the following questions in your discussion. After the discussion, read Section 2 and discuss Ray's position.

1. Do you think banks are more likely to lend money to a small corporation than to a successful partnership? Why?
2. Discuss tax laws for both a partnership and a corporation. Would the pro shop pay less tax as a corporation?
3. How would a corporation limit personal liability?

After listening to John make his case for forming a corporation, Ray was not completely sure the change was necessary or beneficial. He had these concerns:

- Ray was leery of selling stock for capital since it would involve more people in affairs of the business. He felt that any bank after reviewing the shop's financial records would readily lend them money.
- There was also the concern of double taxation and obtaining profits from the business when needed for personal use.
- He felt the legal hassle involved with corporations was not worth the effort since their business could still run smoothly as a partnership.
- Ray thought the issue of liability was not a real concern since they carried good insurance.

Taking both sides into consideration, discuss the following questions.

1. What are John's reasonable and unreasonable points?
2. What good and bad points does Ray make?
3. Do both partners really understand corporate form?
4. What disadvantages of a partnership are illustrated in this scenario?
5. Is an S corporation an option?

ACTIVITY SHEET 2

LEGAL ASPECTS AND RISK MANAGEMENT

XVI

NAME ______________________________

OBJECTIVE 14

Determine types of insurance needed.

INTRODUCTION

Deciding how much insurance a business should carry is crucial when starting a small business. The owner with the help of a certified insurance agent, needs to identify and weigh risks involved with operating a business of any kind. Each client has specific needs and specific financial situations to consider when purchasing policies. Use this activity to test your knowledge of different types of insurance and what their coverage includes.

DIRECTIONS

Using the scenario given, list essential and optional types of insurance that would benefit Mary's store.

Mary's Flowers and More is a small flower shop directed toward a clientele wanting unique and traditional flower arrangements. Her shop is located in an older section of town that is just beginning to be renovated. Mary has chosen to have the name of her store etched on to the large picture window at the front of her store. The three yellow Volkswagen beetles used for delivery are her trademark around town. Because of the nature of her business she does not keep a large inventory.

Essential Optional

ACTIVITY SHEET 3

LEGAL ASPECTS AND RISK MANAGEMENT

XVI

NAME ______________________________

OBJECTIVE 15 **Evaluate Insurance Needs For Your Business.**

INTRODUCTION This activity is designed to help you evaluate your current coverage to determine strong and weak areas in your policies. After completing this activity, you will be better prepared to visit with your insurance agent and develop plans that best suit your needs.

DIRECTIONS Use current policies to evaluate your coverage.

Part 1

Required by law ______________________________

Current coverage ______________________________

Evaluation: ______________________________

____

____

____

____

____

Essential ______________________________

Current coverage ______________________________

Evaluation: ______________________________

____

____

____

____

____

672

Optional ______________________________

Current coverage ______________________________

Evaluation: ______________________________

____

____

____

____

____

Employee benefits ______________________________

Evaluation: ______________________________

____

____

Part 2

Discuss changes you would make as a result of your evaluation.

Required by law ______________________________

____

____

____

Essential ______________________________

____

____

____

673

Optional ____________________

____

____

____

Part 3

Estimate costs — Contact insurance agent

Current total ____________________

____

____

Estimated costs if changes were made. ____________________

____

____

____

ACTIVITY SHEET 1

Essential	Optional
General liability	Glass
Fire Insurance	Business interruption insurance
Worker's compensation	
Automobile	

NOTE: Mary may want to include a rider with her fire insurance that protects against vandalism due to the business location.

ACTIVITY SHEET 2

- Check that client has completed all sections.
- Check for appropriate evaluations.

ACTIVITY SHEET 3

- Taking into account the client's type of business, make sure he/she has insured appropriate areas. Make any suggetions or corrections you feel are relevant.

OBJECTIVE SHEET

INVENTORY MANAGEMENT

XVII

INTRODUCTION

Every business has one of two things: a product or a service. In either case, an inventory is necessary. This inventory is frequently a business's largest asset. Poor inventory control may cost your business sales, service opportunities, and ultimately, customers. Too many obsolete or unsalable items will tie up usable income. Inventory records also affect accounting and tax computation. The challenge to a small business owner is to balance the need for inventory with the cost of maintaining it. Careful planning and recordkeeping will help you meet the challenge successfully.

UNIT OBJECTIVE

After completing this unit, the client should understand various inventory, ordering, and purchasing methods and policies, and be able to determine appropriate orders, and conduct inventories. The client will demonstrate these competencies by completing activity sheets.

SPECIFIC OBJECTIVES

After completing this unit, the client should be able to

1. Define terms associated with purchasing and inventory control.
2. Describe the five steps in the purchasing process.
3. Name items covered in major purchasing policies.
4. Calculate investment ratios.
5. Distinguish between a physical count and a perpetual inventory system.
6. State the "Economic Order Quantity Formula."
7. Compile a policy statement for your business. (Activity Sheet 1)
8. Complete a purchase order. (Activity Sheet 2)
9. Complete Vendor Statement Forms for your suppliers. (Activity Sheet 3)
10. Determine the profitability of a widget. (Activity Sheet 4)
11. Determine reorder points using the EOQ. (Activity Sheet 5)

PREPARATION

- Review unit and plan presentation.
- Study the specific objectives to determine those you will cover in your presentation. Decide also which objectives should be taught to which clients.
- Determine scope and sequence of objectives that you add. Design and develop support materials, including evaluation techniques, for additional objectives.
- Review teaching suggestions and plan classroom activities.
- Determine how you will schedule time for clients to demonstrate competence in the required procedures.
- Order materials to supplement unit.
- Invite a successful entrepreneur or purchasing agent to speak to the class.

NOTE: Supply guest speakers with the Objective Sheet, Information Sheet and any other components you want them to cover.

DELIVERY

Objective 1 Define terms associated with purchasing and inventory control.

- Show clients Transparency Master 1 and have them discuss their experiences with the contradictory rules of inventory.
- Show clients Transparency Master 2 and explain that the basic goal of this unit is to learn to balance the costs and benefits of inventory.
- Add to the list other terms new to clients.
- Distribute Handout 1.

Objective 2 Describe the five steps in the purchasing process.

- Have clients discuss how they contacted or learned about the vendors they use.

- Discuss the use of industry trade or merchandise shows.
- Discuss the use of industry magazines.
- Use Supplement 1 (sample purchase order form) and Supplement 2 (Freight Inspection) to answer questions that may arise.
- Have clients complete Activity Sheet 1.

Objective 3 Name items covered in major purchasing policies.

- Have clients complete Activity Sheets 2 and 3.
- Have clients brainstorm about what policies they have or should have. Have them compare how these policies have been formulated.

Objective 4 Calculate investment ratios.

- Clarify what each formula represents, how it can be used, and its part in inventory control.
- Stress that these formulas can be used in a variety of cost-saving ways: monitoring supplies, customer gifts, and service inventory, for example.
- Have students complete Activity Sheet 4.

Objective 5 Distinguish between a physical count and a perpetual inventory system.

- These definitions are pretty straight forward. Be sure clients realize that either method is usable.
- Explain to clients that perpetual inventory methods are better for large businesses or businesses with large inventories. Use manufacturing businesses as a good example.
- Explain to clients that physical count methods are what many of them are using and discuss the records and methods they use.

- Have those who feel they have little or no inventory suggest uses for running of annual inventories in their businesses. These may include copier supplies, pads of paper, or customer gifts.

Objective 6 State the "Economic Order Quantity Formula."

- Use Transparency Master 3 to show clients how to use the Economic Order Quantity Formula. Work several examples of the formula for clients.
- Explain to clients that costs considered in this formula do not include overhead. Have them suggest costs that would be included.
- Have clients complete Activity Sheet 5.

APPLICATION

Objective 7 Compile a policy statement for your business.

- Allow clients to use their own forms or business records to work the problems.
- Suggest that clients use the Activity Sheets as a guide for designing their own forms and records.
- Stress that clients understand the formula and what it represents rather than necessarily getting the "correct" answer.
- Discuss policy statements and show samples of statements for clients' input.
- Suggest that policy statements can be devised by committee and the actual writing activities can be delegated, if the client doesn't feel comfortable or have the time to create the statement as part of his or her business activities outside of class.

Objective 8 Complete a purchase order.

- Have several types of purchase orders to show clients.
- Discuss the necessary and desirable information.
- Offer sources to order purchase order forms.

Objective 9 Complete Vendor Statement Forms for your suppliers.

- This might be a good time to discuss the amount of paperwork involved in operating a small business. Let clients share ideas for making the process more efficient and more effective.
- Remind clients about the Once Only Rule — handle each piece of paper only one time.

Objective 10 Determine the profitability of a widget.

- Use Activity Sheet 4 to give clients clearly formulated examples of how to determine profitability.
- Encourage them to use a similar process with selected products or services in their own businesses.

Objective 11 Determine reorder points using the EOQ.

- Have clients share stories about reordering and discuss how using the EOQ may or may not have benefitted them in those situations.
- Review the equation and its application to be sure everyone understands it.

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It's Time to Bulletproof Your Business

In Brief: For some reason, there is a definite tendency to think that once the sales curve starts going up and up, it will never change. Even when things "level off," we think the lull is only temporary. Notwithstanding the fact that such energetic optimism keeps a business moving forward, it is the same euphoria that keeps us from facing the unavoidable fact that everything can't move upward forever! Below, learn seven strategies that you can implement now to strengthen your competitive armor and prepare for the tough times ahead.

When it comes to marketing and sales, most businesses do an efficient job of refusing to take the action necessary to prepare for the difficult periods. They wait until the water is coming in the front door before thinking about building a dike. Then, of course, it's too late. They are swept away by the flood.

This inaction also applies in the face of increased competition. A major task, then, is to bulletproof your business so that when the economy sours or the enemy start shooting, you're ready for battle—well protected from a sneak attack. Even though such an approach may seem obvious, few businesses are really prepared when trouble comes over the horizon—whether in the form of aggressive competition or a changing economy.

CASE IN POINT

When the building boom slowed down in New England, some of the first to feel the pain were the architectural and engineering firms. For a dozen years, their fortunes rose, not because they did anything special, but simply because they were in the right place at the right time. Then, all of a sudden, there was no work. Most have taken the only action available to them once they got the message that they were in trouble—shrink or go out of business. Now, they are waiting for the next boom to solve their problems.

These architects and engineers were so busy turning away work that no one bothered to ask the important question—"What are we doing now to guarantee our future?" They didn't think they had time for such an exercise. In other words, they never bothered to ask themselves, "What are we doing to bulletproof our business?"

SEVEN STRATEGIES

There are practical steps a business can take to guarantee its future. Whether it's intense competition or difficult times, it is possible to be prepared when the enemy comes over the hill.

What will happen if you follow this type of strategy? In good times, business will get even better! And when the economy slows down, you won't be as vulnerable to forces beyond your control.

Here are seven strategies that will give you the armor you need to keep moving forward.

Strategy #1

Never, never stop worrying. Anyone who thinks he or she has it made deserves the worst—and is going to get it. All you have to do is pick up the daily newspaper to see this principle in action. Complacent companies that have been in business for fifty years, a hundred years, or longer, close their doors every day. That's a fact. There simply are no guarantees.

Not long ago, a highly successful businessman said, "I'm just about to the point where I can take it easy." What he really means is that he doesn't want the intensity that goes with keeping a business on the cutting edge. Yet, staying on top demands the intensity necessary to generate a constant flow of innovative ideas. Anyone who thinks he or she has reached the pinnacle has already started coasting down the other side.

Strategy #2

Never take any customer for granted. We often hear salespeople talking about "owning a customer" or having a territory "wrapped up" for their company. Buster Douglas put that kind of thinking to rest when he upset Mike Tyson. It's what we continue to do for a customer that counts, not what we did last year.

Even though we may do a good job taking care of customer needs, that is not nearly enough today. In other words, it's not what we sell a customer that makes a difference. Rather, it is the ideas, the information, the help, the guidance, and the insight given to customers that continue to earn you the privilege of doing business with them.

Strategy #3

Never think that you've got all the business you need. Amazing as it may seem, there are plenty of businesses out there that really believe they have a corner on the market. Businesses, like people, can develop a comfort level. They like things moving along smoothly. No pain. Little strain. No big problems. No urgency. In a sense, they're quite content. This attitude really becomes their "corporate culture" and it permeates every level of the operation.

These are the businesses that are ripe for picking by a competitor. In effect, what makes them highly vulnerable is their complacency, which seeps into everything they do. Their customers begin to sense it, too. It comes across as arrogance.

Strategy #4

Never assume you really know your customers. One of the key roles of a salesperson should be to gather information continuously about customers. What's happening to them? What changes are taking place? What problems are they facing? What difficulties are they encountering in the marketplace? What are their opportunities? What internal changes are taking place?

If you don't have current, up-to-the-minute answers to these questions, you are in no position to meet their needs. It's that simple. Without answers, all you are able to do is react and put out fires.

Strategy #5

Never assume tomorrow is going to be better than today. This is not to suggest that it's somehow wise to think that the future is going to be a disaster. It is simply to emphasize that the only appropriate way to act is as if the future is highly unpredictable. It is to assume that trouble may lie around just about any corner!

It is this sense of uncertainty that should drive us to ask a series of important questions: What should we do to make it difficult for a competitor to get a foothold? What would happen if we lost our key customers? What should we do today to stimulate new business two years from now?

It is only when we assume that tomorrow automatically will be better that we ignore the future.

Strategy #6

Never stop selling your company to your customers. In order to create customer loyalty, your customers must "buy" your company before they buy your products or services. In other words, if they're just buying what you sell, chances are they won't be doing business with you very long. If the customer hasn't made a commitment to do business with your company, you don't have a customer.

Here's an example. If the manufacturers can "sell" customers on their products, then customers are more interested in the product itself than they are in those who sell them. If, as a customer, I become "committed" to buying a Canon copier and suddenly you stop selling Canon, then you don't have a chance of keeping my business. This is an extremely dangerous position because it makes the seller dependent upon the product.

A company's major task is to do everything possible to cause the customer to want to do business with it first and foremost.

Strategy #7

Never develop a reputation for having the lowest price. At some point, any price-driven business is asking for trouble. If all you can offer customers is the lowest price, you're sending a message that there's no other reason to have you as a vendor. You are a conduit for delivering products or services. Doing business with you is simply a matter of momentary convenience.

Unless you make the effort to convey to customers the benefits of doing business with you, the buyer is left with price as the only criterion for making a decision. Inevitably, someone else comes along and undercuts your price in order to get the business. And they'll get it every time. In a slowing economy, the price-driven people take the tumble first because they have nothing to sell other than price.

ACT NOW

The job of bulletproofing your business isn't an option today—if you want to be around very long. It isn't something you do when you "get around to it." It is the very basis of keeping a business strong and growing. It's a strategy that requires planning, consistent attention, and intensity. The results are always worth the effort.

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OBJECTIVE 1

Define terms associated with purchasing and inventory control.

- **Inventory** — The number of components, and their value, available for sale or use by a business *or* the act of counting components and determining their values
- **Open orders** — Orders which have been placed with a vendor but not received
- **Purchase order** — A form showing the name, number, quantity, price, and a brief description of the items or merchandise being ordered, shipping costs, taxes, and a total cost
- **Purchasing** — The procurement of merchandise and materials

OBJECTIVE 2

Describe the five steps in the purchasing process. (Activity Sheet 1, Supplements 1 and 2)

1. Issue a purchase order.
    - The purchase order is completed in triplicate.
        - — The top copy (original) is signed by the purchaser and sent to the vendor.
        - — The second copy is sent to the vendor and is returned to the purchaser with the merchandise. It is used to verify the shipment and order by the purchaser's receiving department.
        - — The third copy is retained by the purchaser for inventory and accounting records. It is also used to track open orders.
    - When the purchase order is accepted by the vendor, it is a legally binding contract. Errors in item number, quantity, etc., are the responsibility of the purchaser.

2. Keep a copy of the purchase order.

   - Inventory adjustments must reflect items already ordered but not received. A record of last season's orders will also be helpful in determining next season's.

   - Accounting records must contain purchase order information to plan future expenses, confirm bills, tabulate tax records, and record transactions.

   - Open orders must be tracked.

3. Follow up on orders.

   - By tracking when, how, and at what price orders are received, the business owner will have a better picture of vendor's accuracy and reliability.

4. Inspect the items as they are received.

   - Check for:

     — Shortages

     — Breakages

     — Damage

     — Shipment of wrong items

   - **Inspection should occur immediately upon receiving the order.**

5. Pay for the items ordered.

   - If the correct items were shipped, payment should be processed.

   - If errors in the shipment were discovered upon inspection, proper steps to credit the order should be taken before payment is made. Request permission for return verification.

OBJECTIVE 3 **Name items covered in major purchasing policies.** (Activity Sheets 2 and 3)

Most businesses have policies about accepted purchasing practices. These policies may cover:

- Company objectives
- Who is authorized to make company purchases and who is authorized to contact vendors
- The number of bids required for purchases
- Vendor selection criteria
- Customer purchase/return procedures
- Employee purchase procedures and discounts
- Contract and blanket order procedures
- Ethical conduct
- State and national laws
- Methods to determine whether to make or purchase supplies
- Documentation

OBJECTIVE 4 **Calculate investment ratios.** (Activity Sheet 4)

THE BENEFITS OF USING BASIC INVENTORY PRINCIPLES

- Inventory stock and sales can be balanced.
- Fastest-moving, most profitable items receive primary attention.
- The best stock turnover rate for each item can be determined.

Gross profit

- Gross profit is the difference between the purchase price of an item and the amount it is sold for.

Selling Price
- Cost
Gross Profit

- The Gross Profit can be adjusted to reflect returns or markdowns by using the following formula:

Total Sales
- Returns
- Cost
Gross Profit

Profit per Square Foot

- Profit per Square Foot is the amount of profit earned by each square foot of display space the product occupies.

- Profit per Square Foot helps the owner determine the amount of floor or shelf space each item should be given to make the most profitable use of business space.

$$\text{Profit per Square Foot} = \frac{\text{Gross Profits}}{\text{Square Feet of Selling Space}}$$

NOTE: Profit per square foot can be calculated for an entire store or for a department of the store.

Gross Profit on Investment

- Gross profit is the amount of profit on each dollar invested in an item.

- The gross profit can be used to determine how many units of each item to keep in inventory.

- The average inventory in this formula refers to the average of the largest inventory (right after a shipment) and the smallest inventory.

$$\text{Profit per Investment} = \frac{\text{Gross Profit}}{(\text{Average inventory} \times \text{Cost per unit})}$$

Supply Calculations

- Supply calculations determine how long the supply in inventory will last.

- Supply calculations can be made using the number of units or the amount of money. If dollars are used, the average monthly cost should be subtracted from the value of the current inventory.

$$\frac{\text{Inventory-Average monthly usage}}{\text{Number of months supply}}$$

- The formula can be adjusted to reflect how many days or weeks supply is on hand by using the average daily or weekly consumption.

Stockturn

- Stockturn is the number of times in a given period that the average inventory was sold.

- Stockturn can be useful in determining orders for supplies as well as inventory.

- Stockturn is helpful in determining the usefulness of bulk purchasing.

$$\text{Stockturn} = \frac{\text{Units sold}}{\text{Average number of units in stock}}$$

Inventory Value

- The value of the inventory is determined by the amount of inventory and the cost per unit.

- Inventory value can be calculated in two ways. Businesses must choose one and use it consistently.

- FIFO (First in first out) assumes that the first items in inventory were the first items sold and uses the more recent costs to determine inventory value.

  NOTE: FIFO reflects a low inventory value, thus reducing ad valorem taxes.

- LIFO (Last in first out) assumes that the last items in inventory were the first items sold and uses the older costs to determine inventory value.

  NOTE: LIFO reflects a high inventory value, thus increasing loan collateral.

OBJECTIVE 5 **Distinguish between a physical count and a perpetual inventory system.**

- **Physical Count** — Each item of inventory is periodically counted and the owner decides whether or not to reorder and how much to reorder.

  NOTE: All businesses are required to conduct an annual physical count for tax purposes.

- **Perpetual Inventory System** — A method of recording beginning inventory, then tracking sales and orders to keep a running total of merchandise on hand; when the running total reaches pre-determined level, called a reorder point, a pre-determined amount is reordered.

OBJECTIVE 6 **State the "Economic Order Quantity Formula."**

$$\text{Economic Order Quantity} = \sqrt{\frac{2 \text{ X Annual Demand X Order Cost}}{\text{Carrying Cost Per Unit}}}$$

- The EOQ takes into account the cost of placing the order, annual rate of sales, cost per unit, and the cost of keeping the unit in storage.
- The EOQ makes it possible to determine reorder points.

GAYLE'S EDITING SERVICE 1111 Eleventh Street East Town, Illinois 00101					1273482 Purchase Order Date	
					Confirming Order	New Order
Order Placed with:	In Person	By phone	By mail	Ordered by:	Required delivery date	Page ____ of ____

V E N D O R

S H I P T O

Charge #	Payment terms	FOB point/freight terms	Ship via	Partial shipments __ Permitted __ Not Permitted

Item No.	Description	Color	Unit price	Qty.	Total price

TAX _____ Taxable _____ Non-Taxable Method of Payment _____ Cash _____ Check _____ MC _____ Visa _____ Discover	SUBTOTAL	
	TAX	
	FREIGHT	
	TOTAL	

637

FREIGHT INSPECTION

At the time of delivery

- Check packing slip or delivery receipt for number of cartons and check against delivery shipment.
- Examine packages for damage.
- If shipment is incomplete or damaged, note this on the delivery receipt. Have the driver sign your copy.
- Open all cartons and check for incomplete or damaged merchandise.

If damage is discovered in cartons

- Keep the damaged merchandise. If possible, do not move it until a carrier inspection is completed.
- Call the carrier to report the damage. Request an inspection.
- Take the name of the person you talk to and note the name, date, and time on the delivery receipt.
- Accompany the inspector and read the damage report carefully before signing it.
- Return damaged merchandise to the shipper only after receiving written instructions to do so. Before returning the merchandise, clarify who is responsible for shipping and what credits or replacement merchandise will be forthcoming.

THE CONTRADICTORY RULES OF INVENTORY

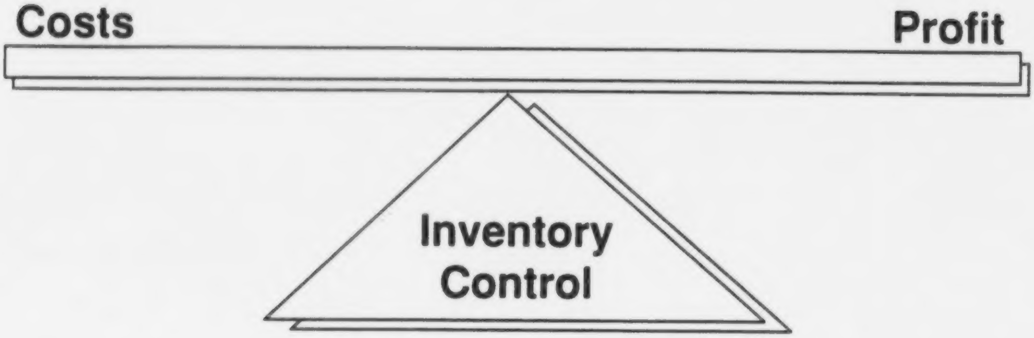
1. Keep a wide assortment of stock on hand **BUT** don't skimp on the supply of fast-moving stock.

2. Don't store stock longer than necessary **BUT** always have all the stock on hand needed for quick service.

3. Keep inventory low **BUT** don't compromise service performance.

4. Save money by buying in volume **BUT** don't buy more than you will sell.

5. Keep a well-rounded inventory on hand **BUT** don't let your merchandise become out-of-date.



Costs
Profit
Inventory Control

$$\begin{array}{c}\text{Economic}\\ \text{Order}\\ \text{Quantity}\end{array} = \sqrt{\frac{2 \text{ X Annual Demand X Order Cost}}{\text{Carrying Cost Per Unit}}}$$

ACTIVITY SHEET 1

INVENTORY MANAGEMENT

XVII

OBJECTIVE 7 **Compile a policy statement for your business.**

INTRODUCTION Deciding policy in the heat of the moment is dangerous business. Protect yourself by setting policy, in writing, before the need arises.

DIRECTIONS List areas where policy for your business should be formalized. What are your current policies in these areas? How should they be changed? Write a formal policy statement for these areas.

ACTIVITY SHEET 2

INVENTORY MANAGEMENT

XVII

NAME ____

OBJECTIVE 8 **Complete a purchase order.**

INTRODUCTION We've all filled out purchase orders. We use them to order from catalogs or when we order Girl Scout cookies. Perhaps because these order forms are so familiar, we may not approach completing them seriously enough. A business owner, however, must be careful when completing purchase orders. If accepted by the supplier, it becomes a legal contract and the owner will be responsible for any mistakes on the form. Every day, business owners receive gross instead of dozen, or blue instead of black. The cost of the order, the cost of replacing it with the correct merchandise, and the cost of storage all come out of the business owner's pocket.

DIRECTIONS Using items found in a sales catalog, complete the purchase order. If you use purchase orders in your business, you may use one of them instead.

GAYLE'S EDITING SERVICE 1111 Eleventh Street East Town, Illinois 00101	1273482 Date:
	Confirming Order / New Order

Order Placed with:	In Person	By phone	By mail	Ordered by	Required delivery date	Page ___ of ___

VENDOR

SHIP TO

Charge #	Payment terms	FOB point/freight terms	Ship via	Partial shipments __ Permitted __ Not Permitted

Item No.	Description	Color	Unit price	Qty.	Total price

TAX
_____ Taxable
_____ Non-Taxable
Method of Payment
_____ Cash
_____ Check
_____ MC
_____ Visa
_____ Discover

SUBTOTAL	
TAX	
FREIGHT	
TOTAL	

INVENTORY MANAGEMENT

NAME ____

OBJECTIVE 9 **Complete Vendor Statement Forms for your suppliers.**

INTRODUCTION A Vendor Statement Form will give you information about vendors, and will help you shop for the best bargain. These forms will help you determine which suppliers best fit your policies and will transform your vendors' verbal offers to written promises. Statements about all your policies should be included, as should the questions listed below.

DIRECTIONS Customize the Vendor Statement Form on the next page by adding your company's name, address, logo, etc. to the upper left-hand corner. Add questions relating to your company's policies to the end of the Vendor Statement Form and have your suppliers complete the form. Have a representative of your supplier's firm sign the form.

Write your name, address, Vendor name, telephone and fax number, Vendor address, etc. in this square.

Name ______________________________

Address ______________________________

Vendor name ______________________________

Vendor fax number ______________________________

Account number ______________________________

Sales representative's name ______________________________

1. Toll-free number? ______________________________
2. Does the vendor accept collect calls? ______________________________
3. Emergency or home phone number ______________________________
4. Minimum purchase amount? ______________________________
5. Quantity discounts — How much? ______________________________

   Conditions necessary to receive quantity discounts? ______________________________

6. Dating or extended payment terms? ______________________________

   Details: ______________________________

7. Advertising or promotion allowances? ______________________________

   Details: ______________________________

8. What are the policies pertaining to return of defective goods? Vendor pays freight charges?

9. What are the expected delivery times?

10. What assistance (technical, etc.) is available?

11. What product literature is available?

12. Does the vendor supply point-of-purchase material?

13. Does the vendor offer grand-opening support (donation of a door prize, etc.)?

14. What is the nearest retail outlet offering the same line?

15. What special services can the service representative provide?

Add questions specific to your business.

16.

17.

18.

19. What notification will the vendor provide if any changes occur in the above information?

____

____

____

____

____

20. Date and signature of vendor representative ____________

____

709

ACTIVITY SHEET 4

INVENTORY MANAGEMENT

XVII

NAME ______________________________

OBJECTIVE 10 **Determine the profitability of a widget.**

INTRODUCTION Every small business owner has to gamble on some investments. Will magazines sell? Will giving away free calendars bring in customers? Will manufacturing 10,000 units this quarter be cost-efficient? The cost ratios listed in Objective 4 can be used to determine the actual cost and profit of individual items.

DIRECTIONS In this activity, assume that you have been selling widgets for six months. You ordered by phone 5,000 widgets from a local supplier for $2 each. A display showing 500 widgets covers 3 square feet of floor space. You hope to sell the widgets for $4.50 each. So far, none of the 3,000 sold have been returned. You estimate the telephone call cost you 50 cents and the insurance costs total $1.00.

DETERMINE GROSS PROFIT

1. What were your total sales in dollars? ______________
2. What was the retail value of returns/markdowns? ________
3. Net sales (Line 2 - Line 1) ______________________
4. What was the cost of the merchandise on line 3? ________
5. Gross profit (Line 3 - Line 4) ____________________

DETERMINE GROSS PROFIT PER SQUARE FOOT

1. How many square feet in selling space was given to the item?

   ____

2. Gross profit per square foot (gross profit divided by line 1)

   ____

DETERMINE GROSS PROFIT ON THE INVESTMENT

1. What was the cost of the beginning widget inventory? ____

2. What was the cost of the ending widget inventory? ________

3. What is the average inventory value of the item (Line 1 - Line 2 divided by 2)?

____

4. What is the profit on the investment (gross profit - Line 3)?

____

DETERMINE STOCKTURN

What is the stockturn (cost of goods sold divided by the average number of units in inventory)?

____

CONCLUSIONS

1. Would you reorder widgets? ____________________
2. Why or why not? ____________________

____

ACTIVITY SHEET 5 — INVENTORY MANAGEMENT — XVII

NAME ____________________

OBJECTIVE 11 **Determine reorder points using the EOQ.**

INTRODUCTION Even with the information found in Activity Sheet 4, how does a business owner know how many widgets to reorder? At what point does the inventory of widgets run dangerously low? At what point do widgets in inventory cost too much money to make storing them worthwhile? These questions can be answered by using the EOQ to determine reorder points and quantities.

DIRECTIONS Answer the questions and solve the formulas below using the widget information in Activity Sheet 4.

DETERMINE THE ANNUAL DEMAND

1. Number of units sold divided by number of months offered then multiplied by 12.

   ____

2. Divided by cost per unit. ____________________
3. Multiplied by 2 (Activity Sheet 4 reflected a 6-month period; we want annual demand here).

   ____

DETERMINE THE ORDER COST

The order cost is only the cost of actually placing the order, the cost of the telephone call, postage, etc. It does not reflect storage or display expenses.

____

DETERMINE THE CARRYING COST PER UNIT

Here again, only actual expenses are considered. Include the cost per unit of warehouse time or display materials necessary, but not overhead.

____

DETERMINE ECONOMIC ORDER QUANTITY

1. Multiply the annual demand by the order cost. ________
2. Multiply the answer by 2. ________________
3. Divide by the carrying cost per unit. ____________
4. Take the square root. __________________

The answer is the most economic order quantity. How far off was the initial order of 5,000?

____

ACTIVITY SHEET 1

Policy should encompass all points discussed in the curriculum or class as they related to the client's business.

ACTIVITY SHEET 2

Work should include completed form for ordering supplies from a vendor.

ACTIVITY SHEET 3

Work should include complete forms on at least three vendors, including at least one additional question and vendor signatures on all forms.

ACTIVITY SHEET 4

Determine Gross Profit

1. $13,500
2. 0
3. $13,500
4. $6,000
5. $7,500

Determine Gross Profit per Square Foot

1. 3
2. $2,500

Determine Gross Profit on the Investment

1. $10,000
2. $4,000
3. $7,000
4. $500.00

Determine Stockturn

1. .857

Conclusions

This answer is a basis for discussion and thought, not for grading purposes. If it is evaluated, consider the reasons for reordering or closing out the stock.

ACTIVITY SHEET 5

Determine the Annual Demand

6,000

Determine the Order Cost

50 cents

Determine the Carrying Cost/Unit

$1.00

Determine the EOQ

77.4596